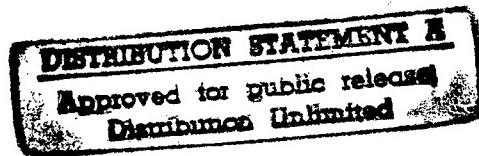


JPRS-CAR-92-074  
30 SEPTEMBER 1992



FOREIGN  
BROADCAST  
INFORMATION  
SERVICE

# ***JPRS Report—***



# **China**

---

19980113 049

DTIC QUALITY INSPECTED 3

# China

JPRS-CAR-92-074

## CONTENTS

30 September 1992

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

Gao Shangquan on Converging With Global Economy [JINGJI CANKAO BAO 30 Aug] .....	1
GNP Growth 'To Exceed' 10 Percent in 1992 [ZHONGGUO TONGXUN SHE] .....	1
Commentary on Transforming Enterprise Management [XINHUA] .....	1
Commentary Urges Good Channeling of 'Business Craze' [ZHONGGUO TONGXUN SHE] .....	2
Problems Developing Tertiary Industry Examined [JINGJI RIBAO 4 Jul] .....	3
Retail Market Grew During First Half of 1992 [ZHONGGUO TONGJI XINXI BAO 23 Jul] .....	6
Significant Changes Appearing in Materials Market [JINGJI CANKAO BAO 30 Jul] .....	7
Demand, Supply for Home Appliances Assessed [ZHONGGUO TONGJI XINXI BAO 23 Jul] .....	8
Article Affirms Socialist Market Economy [JINGJI RIBAO 22 Aug] .....	10
Consumer Goods Industry Targets Overseas Business [CHINA DAILY 14 Sep] .....	13
Provinces Successful in Reducing Enterprise Losses [JINGJI GONGZUO TONGXUN 30 Jun] .....	14
1991 Science, Technology Statistical Communique [ZHONGGUO TONGJI XINXI BAO 27 Jul] .....	16

#### PROVINCIAL

Beijing's Tertiary Industry Interests Investors [XINHUA] .....	18
Henan Implements Measures To Improve Enterprises [HENAN RIBAO 8-11 Jul] .....	19
Chen Bangzhu on Economic Development, Opening Up [HUNAN RIBAO 13 Jul] .....	23
Hunan Commentary on Developing Tertiary Industry [HUNAN RIBAO 14 Jul] .....	25
Hainan, Hunan Sign Economic Cooperation Accord [XINHUA] .....	25

#### FINANCE, BANKING

Stock Market Opens to Institution Investors [XINHUA] .....	26
French Bank To Expand Business [CHINA DAILY 19 Sep] .....	26
Views on Shenzhen's Security Investments [Hong Kong CHING-CHI TAO-PAO 6 Jul] .....	27

#### TRANSPORTATION

Civil Aviation Developing Rapidly in Eastern Region [XINHUA] .....	29
--	----

#### AGRICULTURE

Corporation Imports Seeds To Increase Grain Exports [CHINA DAILY 21 Sep] .....	29
Scientific Groups Help Rural Areas Attain Wealth [XINHUA] .....	30
Heilongjiang Crop Area, Livestock Output Reported [HEILONGJIANG JINGJI BAO 30 Jul] .....	30
Qinghai Agricultural S&T Program Accrues Benefits [QINGHAI JINGJI BAO 13 Jul] .....	31
QIUSHI on Developing Forestry [16 Jun] .....	34

#### TAIWAN

Government Urged To Adjust Trade Regime for GATT Bid [CNA] .....	39
Existing Airports Could Serve as Mainland Air Links [CNA] .....	39

## NATIONAL AFFAIRS, POLICY

### Gao Shangquan on Converging With Global Economy

HK1509025092 Beijing JINGJI CANKAO BAO  
in Chinese 30 Aug 92 p 4

[“Selected New Views” column by Lin Qicheng (2651 0366 2052) from report carried in 11 August edition of ZHONGHUA GONGSHANG SHIBAO (China Industrial and Commercial Times); “Gao Shangquan, Vice Minister of State Commission for Restructuring Economic System Says It Is Time To Establish a Socialist Market Economy”]

[Text] Gao Shangquan, vice minister of the State Commission for Restructuring Economic System said in an interview with reporters that through its 13 years of reform, China has gained a foundation for a conversion from a highly centralized planned economic structure to a market economy, and that it is time to set out “a market economy.” There is no great difference between a socialist and capitalist market economy in their operational methods, and their regulating means and methods are universal. The difference lies in the fact that the socialist market economy is built on the basis of public ownership, whereas the capitalist market economy is built on the basis of private ownership. A market economy does not equal privatization.

The socialist market economy does not reject planning and is a continuation and development of the planned commodity economy, Gao Shangquan added. A pure market economy has never existed in the world, nor is the market economy omnipotent. In places where “the market is ineffective” the roles of government and planning should be given play. The government’s function in economic administration should be changed from direct to indirect administration, from microscopic to macroscopic, and from approving projects and distributing money and materials to applying economic and legal means.

Gao also stated that internationalization, regionalization, and integrationist tendencies in the world economy are increasingly making themselves felt and if China wants to participate in world competition she must “converge” with the global economic operational mechanism. Only by implementing a new socialist market economic structure will there be hope of winning victory in global competition.

### GNP Growth ‘To Exceed’ 10 Percent in 1992

HK1509060292 Hong Kong ZHONGGUO TONGXUN SHE in English 0134 GMT 15 Sep 92

[Text] Beijing, September 14 (HKCNA)—The growth of China’s GNP is expected to exceed ten percent this year and the development of the national economy will continue at a high growth rate in 1993, according to the State Information Centre.

It is learned that a conference on the prospects of the national economy in 1992 and 1993 was held from September 4 to 9 in Shanghai by the State Information Centre, with nearly 60 experts from relevant entities attending.

The conference believed that the characteristics of operation of China’s economy had undergone big changes since the beginning of this year with the market economy and guidance of demand greatly strengthened, according to an “analysis on the development of the national economy in two years” passed by the conference. The big growth in fixed assets investment this year has become the main factor in propelling the growth of the economy.

The state’s financial condition is very good with great improvements in economic results, steady growth of foreign trade and domestic consumption resulting in the high speed development of the national economy, according to the analysis.

### Commentary on Transforming Enterprise Management

OW1309100092 Beijing XINHUA Domestic Service  
in Chinese 0140 GMT 13 Sep 92

[Commentary by reporter Ji Naifu (1213 0035 3940)]

[Text] Beijing, 13 September (XINHUA)—Reform of enterprises is the central link in the reform of the entire economic system, and transforming state enterprises’ management mechanism is the focus of the current reform of enterprises. Therefore, the subject we currently should earnestly discuss is how to properly transform enterprises’ management mechanism so this subject will attract nationwide attention.

Our state enterprises are nurtured and grow and develop under the care of the state and thus do not have much ability to stand on their own or assume responsibility for their own profitability and losses. Internal and external conditions are not yet ripe for these enterprises to operate independently; therefore, they urgently need to create the necessary conditions in the course of reform. The “Regulations on Transforming Management Mechanism of State-Owned Industrial Enterprises” were promulgated specifically for this purpose.

Currently, the most important thing for creating the necessary conditions for transforming enterprises’ management mechanism is to transform the government’s responsibility and function and to establish a mechanism for enterprises to assume responsibility for their own losses. The first step toward transforming governments’ responsibilities and functions is to directly delegate to enterprises all the authority that enterprises should enjoy, and this authority should not only be delegated from provincial governments to prefectural governments and from prefectural governments to county governments. This issue involves the reform of governments themselves. For this reason, government departments

should first become enthusiastic in transforming enterprises' management mechanism. For enterprises, the most important thing is whether they are able to properly manage their businesses after they are given the necessary decision-making powers. If the country wants to practice a socialist market economy—to shift from the planning-to-production-to-market pattern to the market-to-planning-to-production pattern—enterprises must be market-oriented and the market should decide the fate of the majority of enterprises. Competition in both domestic and overseas markets is very fierce—competitive products will prevail and inferior ones will be eliminated—which is a global trend. It is impossible not to practice a market economy if we want to modernize our economy and enterprises. Therefore, the purpose of transforming enterprises' management mechanism is to push enterprises to compete in the market. For this reason, leaders and workers of enterprises should regard truthfully implementing the "Regulations" as an urgent task.

State-run enterprises, especially large- and medium-sized state-run enterprises, are the pillar of the national economy and an important assurance for revitalizing the Chinese nation and raising the people's living standards. Therefore, for the sake of the nation, the people, and socialism, we should vigorously promote the reform of transforming enterprises' management mechanism.

### **Commentary Urges Good Channeling of 'Business Craze'**

*HK1109092892 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1011 GMT 30 Aug 92*

[Commentary by Shi Jian (1597 0313): "China's New 'Business Fever' Needs Correct Channeling"]

[Text] Beijing, 30 Aug (ZHONGGUO TONGXUN SHE)—One or two years before the economic improvement and rectification began in China, "business fever" was spreading in China's urban and rural areas for some time: Thousands upon thousands of people gave up their careers in industry, agriculture, or politics, and went into business. Because China's market economy was underdeveloped at that time, a phenomenon arose wherein myriads of people were trying to be the first to get through this narrow path. China's economy was constantly being corroded by the "private speculators," "official profiteers," and even "military profiteers."

After the improvement and rectification, this "fever" gradually cooled down, and those who had caught this "fever" quit the scene. But starting this year, Deng Xiaoping's talks during his southern China trip encouraged the development of socialist market economy, again triggering off a "business fever" which may develop into something like a prairie fire. The other day, the mainland media made public that Bo Xicheng, son of senior CPC leader Bo Yibo, had determinedly resigned as chief of Beijing municipal tourist administration bureau, a post of quite some lucrativeness, and gone into

business. His gesture has become a special case and effectively influenced people's line of vision.

In press circles, many people are talking about doing business, and they are no longer only theorizing. Some of them have resigned and gone south; some have started doing business for other organizations while keeping their existing posts; and some are engaged in speculative business via their connections with the central ministries and commissions and local governments. They call this the second opportunity for money making which should not be let to slip on any account.

Nevertheless, economists are very careful about this. They maintain that there are at least three noteworthy problems in the current "business fever" that is constantly heating up:

First, because society's demand on the means of production has increased again, confusion in the circulation field has once again gained ground. In particular, some party and government organizations, flaunting the banners of "opening up" and "enlivening the economy," run all kinds of companies which deal in production means. They do things all in their own ways, disrupt the market, and cause the situation to get out of the control of the state administration. In the meantime, because some of the goods and materials consumed by investment are in short supply and their prices are high, the number of deals which violate law and discipline has increased and the enterprises which produce these things tend to limit their sales and wait for the prices to go further up. At the end of June, the national stock of rolled steel was down 9.5 percent compared with the beginning of this year, but the stock of finished products of steelworks increased by 16.7 percent compared to the end of [last] year. This phenomenon is more outstanding in some areas where steel products are in short supply.

Second, some enterprises and law-breaking businessmen engage in hoarding and speculation and drive up prices by monopolizing the supply of certain goods. It is learned that in the first half of the year, the increase rate of the prices of production means all over the country, mainly propelled by the readjustment to planned prices, was quite high, reaching 6.4 percent and breaking the target set by the state. Especially fast were the price increases of production means consumed by investment and heavy industrial production. They have become the force that will bring about another round of price hikes of industrial products and may lead to serious inflation. At present, because such products as rolled steel, timber, cars, and copper are in short supply, some customers even buy them at first glance without asking the price.

Third, the serious inadequacy of sea shipping and railway transportation has aggravated the demand-supply conflict in various localities, thus giving speculators an opportunity to cash in on.

Experts point out that the "business fever" is nothing bad, but should be correctly channeled and that strong

measures should be adopted to punish law-breaking businessmen and preserve the normal order.

**Problems Developing Tertiary Industry Examined**

92CE0604A Beijing JINGJI RIBAO in Chinese  
4 Jul 92 p 3

[Text] Tertiary industry is receiving increasingly widespread attention, is achieving good results in the growth of China's economy in the 1990's, and is undoubtedly very positive. However, people still have different understanding and knowledge of the substance, status, function and significance of tertiary industry, and in particular how to speed up the development of tertiary industry. This article sets forth several relevant issues and discusses a few views on them.

1. As for the concept of tertiary industry, there seems to be a trend of narrowly biased understanding. What everyone talks about most frequently right now is commerce and the service industry. In fact, not only is tertiary industry both of these sectors, but it also includes many extremely important industrial sectors, such as transportation, communications, science and technology, education, finance, real estate and so on. If the standard international method of calculating national economic figures is used, tertiary industry even includes government departments.

2. It is true that developing tertiary industry can solve a great many surplus labor employment problems, but its significance does not stop there. Because tertiary industry includes the most vigorous industrial sectors in the national economy, such as science and technology, education, finance, information private property and so forth—particularly science and technology and education—it is a major factor in determining a country's present and future economic status and development potential.

For a long time, we have put undue emphasis on material production and have considered tertiary industry to be purely consumer-based and not adding to output value. This view is very naive, and can even be called absurd. It should particularly be pointed out that education is also a kind of industry, also provides employment, also produces the GNP, and can also be considered a hot spot for citizens' services and consumption. Taking a medium to long-term view, a country's level of educational development directly determines its scientific and technical, industrial level and social progress. As a result, not only is education part of tertiary industry, but it is a very important sector of tertiary industry. The experience of international society has shown that the development of human resources is the most important factor in economic modernization.

3. An even more urgent reason why China now needs to accelerate the development of tertiary industry is that after experiencing rapid growth in the 1980s, China's economy manifested structural imbalances, the most noticeable of which were an infrastructure clearly more

backward than the private property and manufacturing industries, and seriously inadequate production and consumption of services as compared to the production and consumption of commodities. Therefore, if the development and transportation, communications, science and technology, education, finance, real estate and other industries is not accelerated, it will be difficult for the national economy to achieve normal cycles. Because economic growth is subject to structural limitations, it is also very difficult to maintain stability. In short, if tertiary industry is not expanded to regulate and transform the structure and pattern of growth, it will be very difficult for China's economy to maintain the momentum of rapid growth in the 1990s.

4. In terms of China's resource situation, the development of the tertiary industry also has outstanding advantages. China is a country with an exceedingly large population, with extremely plentiful human resources and a comparative lack of natural resources. In the long term, we can establish and maintain a production and consumption structure very unlike that of developed countries in Europe and the United States—that is, with relatively costly agricultural products, not much difference in industrial products, and very cheap service. In China, service is relatively cheap, and not only can it contribute to achieving a relatively high standard of living and consumption under conditions of relatively low wages, but it can enable China to maintain very strong international competitiveness in the area of tertiary industry. Even more importantly, our relatively low costs will contribute a great deal to expanding science and technology research and development facilities on a relatively large scale and on a relatively advanced level. For the same reason, the cost to enterprises of obtaining new technology will also be relatively low, which will naturally contribute to accelerating technological progress. Even considering that the wages and benefits of science and technology personnel in China has more than doubled, compared to other countries in the world the income of China's science and technology personnel is still relatively low. China's hope for economic development with relatively low costs, and for matching and surpassing developed countries relatively quickly, lies in this fact. If we can accelerate development of the tertiary industry, and in particular accelerate development of the most vigorous sectors, then we can have hope for combining the two processes of industrialization and expanding communications, to create a new path of modernization.

5. In the 1990's, it is absolutely possible for China's tertiary industry to develop at the high speed that has not yet been realized. It is possible for the proportion of the GNP and nationwide employment accounted for by tertiary industry to increase one percentage point or more each year. Compared to the world's low-income countries, the proportion accounted for by the tertiary industry in China falls short by an average of 10 percentage points; compared to middle-income countries, it falls short an average of more than 20 percentage points;

compared to high-income countries, it falls short an average of 30 percentage points. This huge discrepancy came to exist not only because of insufficient investment of financial resources in tertiary industry, but also to a great extent because of an irrational system and a huge amount of waste created by an irrational division of labor structure. For example, it is common that "enterprises run society," that science and technology management and research development are organized according to administrative methods, and that the country has an overly high ratio of teachers to students in secondary and higher education, etc. Therefore, the present phase of the development of tertiary industry should bring in more key factors on the one hand, and on the other hand must rely on systemic reform, to give full play to the latent energy of human, material and financial resources. With these two aspects combined, twice the results can be achieved with half the effort. At the same time, we can also see from this how important the development of tertiary industry is to continuing reform of the economic system. Enterprises reforming their labor personnel systems, and improving their structures, and the government shifting job functions and reforming departments, will certainly lead to the emergence of surplus personnel. If this can be combined with the development of tertiary industry, this surplus labor power can be absorbed, greatly reducing the friction and repercussions brought by reform.

6. In the current phase of tertiary industry development, China should consider transportation and communications as the focal points within the focal point. At present, China's commodity circulation, communications transmission, personnel interchange, tourist industry and so forth, along with the development of the market system, and the evolution of equitable regional division of labor, are all seriously limited by transportation and communications. The amount of investment that should be increased for transportation and communications is very large in scale, and will have a very striking positive influence on the momentum of all sectors of the national economy and on increasing farmers' income. The accelerated development of the transportation and communications industries will undoubtedly lead to sustained and strong demand for automobiles, boats and ships, airplanes and other means of transportation, as well as modern communications installations and so forth. This will undoubtedly be very significant for China's mechanical and electronics industries reaching a higher level, and the development of related high-tech industries.

7. At present, among the greatest difficulties in accelerating the development of transportation and communications is insufficient capital. According to our research, China is presently not so short on total capital. The key is to have flexible and varied capitalization patterns and capitalization channels. Besides the need for increased state capital and credit, special attention should be paid to collective capitalization, financial cooperation among enterprises, issuing of bonds and stocks, and other

methods. At the same time, special attention should be paid to bringing in foreign business and foreign capital, and adopting joint investment, pooled capital and various other forms to construct railroads, toll roads, seaports, airports and communications facilities. These areas require us to further liberate our thinking.

8. The important role of education in China's economy should be fully understood, and education should be accelerated and developed on all fronts. Besides the fact that education has a decisive effect on medium- and long-term development, it also plays a clear role in improving the national economy in the short term, transforming people's patterns of consumption, delaying the age of employment, etc. To develop education, the state and its departments should continuously increase investment and citizens should and can take on more and more expenditures. Even if the country spends little or no money on schooling and higher vocational education, it is entirely possible to make huge developments. However, in recent years enrollment at ordinary colleges and universities has almost leveled off, various types of private schools have experienced serious limitations and Chinese-foreign cooperative schools have up to now been considered "forbidden zones." At the same time, many young people who are paying for their own education cannot find schools, and in the fervor to go abroad to study, each wave has been greater than the last. As a result, educational system reform must be accelerated, the number of self-supporting students at secondary trade schools and colleges and nonresident college students should be increased, and the scope and proportion of "state financing" and "state guarantees" in education should be reduced. Graduate job assignments should increasingly go through the job market, and not rely on state planning. A positive attitude should be taken with regard to foreign-Chinese cooperation in running schools. As long as they do not violate China's constitution, foreign organizations and groups should be allowed to cooperate with China in establishing all kinds of colleges and secondary trade and occupational schools.

9. To accelerate the development of science and technology ventures, the successful experiences of existing science and technology development zones should be seriously considered. All of the scientific research divisions of government departments at all levels should be gradually made to move toward the market, to become more like enterprises and businesses—Independently managed, independently financed and responsible for their own losses and gains. The state only needs to be responsible for the organization, management and financing of basic research. In important high-technology strategy, the state should carry out necessary coordination and financing, while ordinary activities of science and technology development should be the responsibility of the independent science and technology enterprises, science and technology departments within industrial enterprises, and private science and technology groups. In summary, it is necessary to fully

mobilize the initiative of science and technology organizations and their personnel, and to establish a scientifically and technologically progressive social and economic system according to the operating laws of a market economy.

10. The potential for developing wholesale and retail commodities is still very great. Since reforms began, the state-owned commodity exchange system, rural and urban cooperative and individually-owned commercial and industrial sales organizations, as well as other trading companies, have all developed significantly, but they still cannot meet the demands of national economic development. In recent years, because of poor market sales, people have gotten the impression of an excessively active market. But this has not been the case. There are not too many commercial network points, but rather too few, and in many large cities the historically highest levels have still not been restored. The percentage of people engaged in business activities in China, as a proportion of the entire labor force, even by the most liberal calculations, does not exceed 10 percent, whereas in Japan the percentage was 19 percent in 1962 and 23.8 percent in 1990. China's commodities exchange activities are mainly over-the-counter sales. This mode is very backward. From now on, full effort should be devoted to presale and after-sale services, such as promotion, advertising, dissemination of information, advisory services, door-to-door delivery, commission sales, on-site inspection and repair, etc. Business is still an important area in which employment can be expanded, and even if the proportion of personnel in this sector were to increase another 10 percentage points, it would still not be high, but it would encompass more than 50 million employees. On the other hand, it would greatly alleviate China's employment pressures, and at the same time, it would promote the development of the market, smooth our circulation channels, and promote development of the market economy.

11. Accelerating development of China's financial sector is also very urgent. The importance of financial services to production, construction and everyday life has become more and more significant as the market economy develops. China's financial industry is not only very backward compared to advanced countries, but even when compared to most developing countries, the gap is still very great. For example, personal use of checks and credit cards is very common in many countries. But in China it is still very rare. The inconvenience and disadvantages caused by the undeveloped financial industry has affected normal operations of the national economy. Accelerating development of the financial industry, aside from further perfecting the present banking and nonbanking financial institutions and the existing financial commodities and financial services, also requires the establishment of new financial institutions, especially institutions for investment, insurance and stock trading, and the development of more varieties of financial commodities and financial services.

12. Reform of the social welfare system has created favorable opportunities for development of the insurance industry. At present, special attention is being paid to the development of old-age insurance and unemployment insurance. On the foundation of the former comprehensive social insurance plan and based on individual cities and on affiliation, a unified national system of social security for urban employees should be established, breaking the barriers of regions and affiliations. At the same time, the issue of social security for rural areas should be considered as soon as possible. A suitable social security system should be adopted based on the actual different incomes of different regions. Even though social security would be supervised by the government, its actual operations and management could be handed over to a special organization that would form a new service department.

13. The future prospects of the real estate industry are very wide-ranging. From now on, for a long period, housing will continue to be a consumer hot spot. The further prosperity of the real estate industry will naturally be pushed along by the growth of industry, commerce and other sectors. Housing system reform has started on all fronts, and a number of real estate development companies have been established in various places. Development of commercial property, joint investment in construction and cooperative construction have also developed significantly. But the housing problem in China's cities is still very serious, and the development of housing is still very backward. Reform should be accelerated, relationships should be ascertained and fair competition in the real estate market should be established, and the rate of development in construction of commercial real estate should accelerate. On the other hand, financial services to promote saving to buy housing, or lands with collateral should be developed. In addition, the government should establish a system and organization for housing, especially for a small number of low-income families, so that they can move toward normal fiscal management. Rural housing construction should gradually be included in the overall planning, and management should be strengthened to avoid wanton occupation of arable land, and at the same time, standards for economic utilization should be formulated and facilities should be better coordinated and gradually move toward specialization and commercialization. In summary, the real estate industry can absolutely become the catalyst industry for tertiary industry and even the national economy.

14. There should be major development in accounting, auditing, law, consulting, communications and other areas. Other ordinary service sectors also have hope for revitalization, as long as they have support and guidance. In the past few years, the positive momentum in the development of tourism, culture and entertainment should continue to accelerate. In summary, the development of tertiary industry means that the country, the group and the individual should work together to create favorable conditions to serve the economy and make life

more convenient, and create a broader path for the elevation of China's industrial structure and the advancement of the national economy.

15. Last, we want to emphasize once again that services, like products, are commodities, and can even be said to be a higher class of commodity. Service can also satisfy the needs of society's economic development and meet the need to raise the people's material and cultural level. People at all levels of government departments and the business sector must dispel the narrow view that has led to the long-standing emphasis on material production and the lack of emphasis on nonmaterial production. Even now, solving this problem is of primary importance in accelerating the development of China's tertiary industry.

### Retail Market Grew During First Half of 1992

*92CE0641A Beijing ZHONGGUO TONGJI XINXI BAO in Chinese 23 Jul 92 p 3*

[Article by Chai Mao (2693 5399): "Retail Market Growing Steadily During First Half of 1992"]

[Text] Since the beginning of this year, domestic retail market has been steadily growing. With sufficient commodity inventory, market supply is improving. Sales of all kinds are increasing steadily. Consumption tends toward normal, and the grain price adjustment was carried out smoothly. Economic efficiency of state-run, and collective retail business, however, has shown little improvement, and the level of collectivity consumption has remained high. These still prove to be the major problems in the market. The characteristics of market operation are as follows:

1. Total market sales have reached the average level of the same period in the last few years. During the first half of 1992, the total social retail volume came to 524.6 billion yuan, increasing 14 percent over the same period last year. Deducting price factors, the real increase was 8.6 percent, which was approximately comparable to the increase in the productive value of the light industry in the same period of time, reaching the average level of 1986 to 1991. Market sales were still within the normal range. Sales increase among different regions did not appear to be much different. About 27 regions had an increase of 10 percent or above.

2. Commodity supply was sufficient in the market, and individual consumption was normal. According to statistics of the Ministry of Commerce on 682 commodities in terms of demand and supply rankings, 89.1 percent were in greater supply or balanced with demand, increasing 1.3 percent over the second half of last year. Commodities with greater demand than supply have become fewer. Grain, sugar, cotton textile products, meat, poultry, eggs, and consumer goods of appliance and electronics products were maintained at a high level of stock. Frequent introduction of name brands and quality products particularly strengthened market supply.

3. Sales increase generally matched the increase of individual purchasing power. This year, the state has respectively adjusted the standards of service length allowance and bonus for government employees and white collar workers. At the same time, the government also subsidized residents for the grain price rise. In enterprises, worker income is associated with productivity. Meanwhile, the state has raised the price for purchasing some farm and sideline products to support the development of township enterprises. All these measures help increase resident income. During the first half of 1992, per capita income of urban residents increased 6.5 percent over the same period last year after deducting price factors. Per capita cash income for peasants increased about 12 percent. The expansion of market sales generally met the increase in demand.

4. Sales of all products went up steadily. During the first half of this year, retail sales of consumer goods were worth 458.9 billion yuan, an increase of 14.4 percent over the same period last year. Sales of food products grew steadily. Clothing sales maintained the same level for different seasons, and sales of daily use goods tended to increase. The sale of new models of home appliance and electronics recovered fast. Sales of commercial camcorders, cameras, color T.V. sets, and refrigerators increased 22.6 percent, 12.6 percent, 8.2 percent, and 5.8 percent respectively over the same period last year. Individual demand for durable goods appeared to be polarized. Ordinary electronic products could hardly find any customers while quality goods, name brands, and new models were hot-selling, with some even out of stock.

5. There were similar market increases in both urban and rural areas. This year, rural markets have turned to steady growth from the recovery last year. During the first half of this year, sales of consumer goods in cities totalled 255.8 billion yuan, an increase of 16.1 percent over the same period last year, and at county or lower levels, 203.09 billion yuan, with a difference of 3.8 percent between the two markets. Despite the difference, the increase in consumption was close between urban and rural areas, considering higher prices in cities.

6. Agricultural production means and farm machinery markets grew steadily. This year agricultural production developed fairly fast. Peasants increased investment in production, showing a stable or increasing demand for production means and farm machinery. Retail sales of production means in the first half of this year reached 65.8 billion yuan, an increase of 11.4 percent over the same period last year. Sales of chemical fertilizer and plastic film increased 3.2 percent and 11.9 percent respectively. Machinery products sold even better. In the first five months, machinery sales grew 22 percent over the same period last year. The sale of large and medium tractors increased by 11.6 percent, and tractors by 16.7 percent over the same period last year.

**Significant Changes Appearing in Materials Market**

92CE0615A Beijing JINGJI CANKAO BAO in Chinese  
30 Jul 92 p 1

[Text] Two years ago the Chinese materials market seemed to be caught in a "bermuda triangle." No matter what you did, the sales market for materials could not prosper. Some material enterprises even appeared unprofitable. However, since the first half of this year, China's material market has taken a great turn. The demand and supply for materials closely match. The level of stored materials has obviously decreased. The market price of materials has increased everywhere. The market for some materials has now become a seller's market. The economic efficiency of material enterprises have obviously become better.

A responsible comrade at the Ministry of Materials told this reporter that China's material market for the first half of this year had the following characteristics:

Prices went up furiously, and this trend became faster and faster each month. The total price level of the means of production for the first half of this year increased 6.4 percent compared to the same period last year. The increase was 4.5 percent in the first quarter, 5.5 percent in April, 7 percent in May, and 8.8 percent in June, which was the largest monthly increase in material prices in the past two years.

With construction materials being the guide, the range of increasing prices has continuously expanded. Among these materials the most outstanding ones are the steel materials used for construction such as wire rods, thread, etc. The prices for these materials have gradually gone from 1,700 yuan per ton at the beginning of this year to 1,900 yuan per ton in the middle of May, prices appeared to go up in one great leap. In the middle of June, prices in most big cities in China reached the highest level in history exceeding 2,500 yuan per ton. In addition, prices for cement, timber, flat surface glass and mechanical and electrical facilities, etc., have gone up noticeably. Prices increased from 40 percent at the beginning of the year to 64 percent at the end of June. Recently prices for some nonferrous metals also greatly increased. In some places these prices exceed the international prices. For example, at the metal exchange market in Shanghai and Shenzhen, the present price for aluminum is 13,000 yuan per ton, and for copper it is 21,000 yuan per ton. These increases are 4,500 to 5,000 yuan more than those at the beginning of the year.

Prices in the east are higher than those in the west, and prices in the south are higher than those in the north. Prices in the southeast obviously have the leading roles. No matter how much prices for the steel construction materials, copper or aluminum have gone up, prices in the southeast coast are the catalyst driving the national price higher. In Guangdong wire rod prices are as high as 2,800 to 3,000 yuan, which are 800 yuan to 1,000 yuan higher than the prices in inland areas. Since this July

prices for steel materials on the southeast coast decreased slightly and prices in the country's other regions are also following this trend and becoming more stable.

The material market appears active, and purchases and sales of materials has greatly increased. In the first half of this year the total amount of national material purchases was 18,380 million yuan, an increase of 43.2 percent over the same period last year. Total sales were 202.7 billion yuan, an increase of 41.3 percent over that of last year. The figures show that the amount of purchases and sales have maintained the same rate of increase.

According to the analysis of a specialist at the Ministry of Materials the great changes in the present Chinese material market are due to the following four reasons:

First, the increase in demand is greater than the increase in resources. From January to June, domestic output and foreign imports for 16 main materials such as steel, copper, aluminum, etc., increased 14.3 percent over the same period last year. However, the amount of consumption increased 16 percent. Steel materials used for construction are in short supply everywhere. Many places have depleted their supplies. The turn over period for the storage of the steel materials has declined to the lowest point in our history. This shortage of supplies has caused the prices to increase tremendously.

Second, the inefficient transportation of materials has constrained the movement of materials, which has led to inflated material prices. For example, at present the total demand and supply for coal is balanced, and the nation's coal stockpile is larger than needed. However, due to the inefficient transportation, the price of coal delivered to the provinces and cities has continuously increased. According to concerned departments, the present level of railroad freight can only satisfy about 60 percent of demand, and this situation will limit supply over the long term.

Third, international market prices of some materials are increasing. For example, in June at the London Metal Exchange the current price for copper increased 11 percent compared to the beginning of last year, the price of aluminum increased 17 percent, and the price of zinc increased 19 percent causing increases in domestic material prices.

Fourth, some enterprises prefer to store materials instead of sell. They wait for prices to increase, which leads to inflated material prices. According to this investigation, since inflated material prices have been projected in most areas, it has appeared that a lot of enterprises would like to store materials in short supply, and even raise prices at will. Some enterprises monopolize certain materials, which has caused very serious reactions. After a recent trade fair for steel and nonferrous metals the market price went up in a big step that is closely related to this monopolizing tendency.

Specialists believe that the present increasing prices of production materials will have an active effect towards changing the irrational price system, motivating production, restraining consumption, and forcing the market orientated system to regulate the structure of industries and production, and integrating foreign and domestic markets. Thus this trend is basically normal. There are various abnormal factors for raising prices such as the monopolizing actions of manufacturing enterprises, hoarding scarce materials, speculating in the exchange market, etc. Some of these problems will normally occur in the course of progress, and will gradually be solved; some are the inevitable phenomenon of the commodity economy. In this kind of situation, material enterprises have to change their ideas so as to adapt to the changing market.

### Demand, Supply for Home Appliances Assessed

*92CE0641B Beijing ZHONGGUO TONGJI XINXI BAO in Chinese 23 Jul 92 p 3*

[Article by Mao Shang (3029 0794): "How Large Is the Capacity of the Market for Electric Home Appliances?"]

[Text] Four market phases can be classified on the basis of household durable goods: It is the embryonic stage when 5 percent of households enjoy such goods; when 5 percent to 50 percent of households have durable goods, it comes to the developing stage; it enters the popularization stage when 50 percent to 80 percent of households can afford to buy these goods; and when more than 80 percent of families possess durable goods, it reaches the saturation stage. To study and understand such questions as the production and consumption of home appliances, and the present status and potential of the market may provide guidelines for enterprises in their production and people for their consumption.

### Production: Still Overheated?

Since the 1980's, the production of home appliances has grown fast, driven by market demand. From 1980 to 1991, the production of TV sets had an average annual increase of 23.9 percent, color TV sets increased 72 percent. Refrigerators increased by 51 percent, and washing machines 35 percent. In recent years, market demand has been steady, with a tendency to decline. Market competition has been fierce, and overheated production cooled off a little, and the contradiction between production and consumption has been mitigated to some extent. However, because of blind construction and redundant expansion, the productive capacity has far exceeded the normal market demand over the past few years. Statistics indicate that only 40 percent to 50 percent production capacity is in operation for refrigerators, washing machines, and VCR manufacturers. Even with such a low utilization rate, supply and production of home appliance and electronics is still greater than demand at the macro-level. Although the market for these products is speeding up, there is no fundamental change in the overstock because production

growth is still higher than market demand. During the first half of this year, the output of VCRs increased 4.4 times that of the same period last year. The output of cameras and electric fans increased 19.5 percent and 24 percent respectively. But their sales increased 22.6 percent, 13 percent and dropped 2.5 percent respectively. Higher growth of production also included air conditioners, washing machines, color TV sets, vacuum cleaners, bicycles, sewing machines, etc. The production of many appliances not only exceeded the average industrial growth, but also planned output. It is learned that the major reasons behind this phenomenon are the practice of local protectionism, pursuit of output value, and other objective conditions, although agencies concerned have taken measures to encourage and favor quality goods production, reduce the production of less qualified factories, and set quota for stock and production for those factories unable to produce big orders. As a result, these measures have hardly been implemented, leading to the concurrence of continuous production and overstock. According to statistics, by the end of June, the inventory of commercial color TV sets had increased 20 percent over the same period last year; VCRs increased 17.4 percent, electric fans 16 percent, and refrigerators 12 percent. The industrial stock of these products has also maintained a high level.

### Consumption: Is It Normal?

With high production growth, the market of home appliance and electronics has changed quite a deal. Individual consumption is going straight up. Its characteristics include:

Rapid growth. Over the past 10 years, there has been an increase in individual consumption of home appliances. For example, from 1980 to 1991, average annual retail sales of washing machines, refrigerators, and TV sets increased by 40 percent, 48.4 percent, and 16.4 percent respectively. Such growth is rare even in developed nations.

Preference for quality goods and name brands. Because home appliances went through a transition from scarcity to relative abundance, it evolved from panic purchasing regardless of quality and brands to considerations of buying quality products, with attention paid to quality, style, function, and price of goods. People are seeking long-term investment in purchases. "Either not buying or going for the best" has become a common mentality for people. Statistics show that the present rated top 10 brands of refrigerator account for 70 percent of the market. Also, according to analysis of agencies concerned, in the next two or three years, 21-inch flat screen color TV sets with remote control will take the first position in sales, to hold 70 percent of the market.

New products are put on the market constantly. In recent years, apart from the available home appliances going through redesign in their style and function, other products that offer more comfort to families are continuously put on the market. Water heaters, kitchen fans, electric

disinfection cupboards, microwave ovens and other kitchen facilities, karoke sets, electronic games, etc., for family entertainment are invading the market, filling in blank spots in the market for home appliances.

Home appliances are turning toward serving city life for their comfort and entertainment, and in rural areas for their durability and lower price.

#### Price: Can It Be Lowered?

Since 1990, the problem of supply exceeding demand has become increasingly acute. Industrial and commercial enterprises have all lowered prices in their competition. Prices of some color TV sets, refrigerators, and electric fans are at their lowest point. For example, a 21-inch flat-screen color TV set with remote control sells for around 2,600 yuan in Nanjing. The price even includes option costs, name brand addition, and regional price differences. In regard to the link between production and sale, both production and management departments gain only slight profits. We learned that the factory in Nanjing which turns out "Panda" color TV sets gets merely 1-2 percent of profit per set. Wholesalers get 20 to 30 yuan from a set, and retailers 30 to 40 yuan per set. Wholesalers and retailers gain less profit in their transaction of TV sets than dealing with other goods. Considering the economic operation and developing trend in China, the prices of home appliances will go in two directions of stability and decline: Prices of quality goods and name brands will remain stable, with little fluctuation, while prices of inferior brands will go down. It is quite certain that under the law of value the market will exert pressure on products of inferior quality, higher price, and less competitiveness to drive them out of production, eventually resolving the unbalance between supply and demand in the market of home appliances.

#### Market: How Much Larger?

The situation with the market of home appliances in the coming years will depend on the market operation laws. More importantly, its development will be largely constrained by the external environment. Environmental elements that affect the market include mainly the macro-level economic operation, individual cash income, consumer behavior, price changes, and product quality, etc. These factors will evolve toward a better situation, with the speeding up of the country's opening up and reform. Market supply and demand will also grow steadily.

Based on family possession of home appliances, there is still plenty of room in the market potential for these goods. For example, by the end of 1991, urban and rural residents had a total of 34.63 million refrigerators. Every 100 households had 48.7 refrigerators in cities and towns, but only 1.74 in rural areas. The figure shows that nearly 50 percent of urban households have refrigerators, but there is still a market. According to an extensive survey conducted by agencies concerned, 47.3 percent of families plan to buy or replace refrigerators in one to

three years. In addition, there are 68.41 color TV sets and 80.58 washing machines per 100 urban households, indicating that consumption is still at the popularization stage or the transitional stage to saturation. In cities, there is still a market for newly weds and families that intend to update their homes. In rural areas, consumption is at the embryonic stage, and there is great demand. According to the rural investigation team of the National Census Bureau, which investigated a sample out of 48,000 households from 29 provinces and cities, peasant demand for durable goods will increase dramatically. It is expected that for every 100 households, 1.6 color TV sets, 2.2 washing machines, 0.5 refrigerators, and three bikes will be sold in 1992, respective increases of 73 percent, 160 percent, 63 percent, and 25 percent over the previous year. Demand for tape recorders, cameras, motorcycles, electric fans, etc., will also increase to varying degrees. Such increase will persist for several years.

It should be noted, however, that market demand for home appliances can only see a moderate increase, and their popularization will notably slow down, due to the influence of the following factors:

1. Since the market of home appliances has developed for more than 10 years, and the family possession of these products has reached a certain level, with city residents' consumption close to saturation, demand in the near future will not be very great before upgrading replacement should occur.
2. At present, two transformations of the residents' purchasing power are taking place: First, individual financial awareness is increasing. "Stocks" and "investment" are hot in the nation. A relatively large part of the purchasing power is diverted to buying stocks and securities; second, with reforms in health insurance and real estate industry, residents' noncommodity expenses are increasing, resulting in more cautious spending in consumption.

Honored as the "newest four items," air conditioners, stereo systems, camcorders, and motorcycles, are gradually becoming the hot spots in sales in some cities. The retail market is considerable. Housing reform and improvement in residential conditions will promote prosperity in the small appliance market. It is therefore expected that the market of home appliances in the 90s will experience a new height in sale with the new four items as the leader, color TV sets, refrigerators, and washing machines as the base, followed by kitchen fans, water heaters and a series of other appliances.

To sum up, the domestic market for home appliances is in general still quite promising and has great potential. Industrial and commercial enterprises should organize management and management based on market changes in supply and demand, constantly adjusting the product mix, improving product quality, focusing on style, function and price of products so that they can expand their

possession of the market, establish the position of their product and remain unbeatable in fierce competition.

### **Article Affirms Socialist Market Economy**

*HK1109062692 Beijing JINGJI RIBAO in Chinese*  
22 Aug 92 p 3

[Article by Zhou Shulian (0719 0647 5571) and Guo Kesha (6753 0344 5446): "Affirming That the Adoption of a 'Socialist Market Economy' Is of Great Significance"]

[Text] Comrade Deng Xiaoping's southern-inspection tour speeches once again unleashed a great wave of reform and opening up in our country. Economic theoretical circles are again alive with debate. Recently some comrades suggested affirming the adoption of a "socialist market economy." We believe that just when our country's reform is coming to a stage where key problems have to be tackled and when economic development is faced with international challenges, affirming the adoption of a "socialist market economy" carries very important significance.

#### **I. What Does Affirming a "Socialist Market Economy" Mean?**

People have not forgotten that the Third Plenary Session of the 12th CPC Central Committee affirmed that the socialist economy is a planned commodity economy, laid down a theoretical foundation for our country's economic structural reform and promoted rapid development of the commodity economy. Likewise, as understanding deepens, if the socialist market economy is further explicitly recognized, that will be a tremendous boost for deepening structural reform and the growth of the market economy.

First, it shows that we are going to vigorously develop a modern commodity economy. A market economy is related to, but also differs from, a commodity economy. Put simply, a market economy is the advanced stage or the modern form of the development of commodity economy, or we can say, a highly socialized and marketized commodity economy. It has a unified market and a complete market system. All economic activities are oriented toward the market as the center and subject to the regulation of the market mechanism. The change from the affirmation of a planned commodity economy to that of a socialist market economy shows that we are going to vigorously develop a modernized commodity economy, and not a small commodity economy or other forms of commodity economy; that we want to join the great current of the world commodity economic development. On the other hand, our signatory status in the GATT is going to be restored. This means a full-scale participation in international competition. Therefore we can only meet the challenge of the international market economy by vigorously developing a market economy within the country and raising our competitiveness in the international market.

Second, it shows the direction of our reform and our determination in it. Affirming a socialist market economy means that the market will become the fundamental allocator of social resources and economic operation will be fully regulated by the market mechanism. This in turn shows that the direction of our country's economic structural reform lies in continued progress toward a market-oriented reform; and continued reduction of the proportions of mandatory planning and administrative measures in allocating resources. What will show our determination to promote reforms is a complete change of the economic operation model centering on administrative orders, and the formation of a complete economic operation structure centering on market regulation. This means that the macroscopic regulatory and control system and mechanism, which realizes the nature of overall state planning, must also stand on the foundation of the market mechanism. The macroscopic regulatory and control mechanism must compensate for the inadequacies of market regulation; at the same time it must exercise its functions through market regulation. In this regard, the economic operating model advanced by the 13th party congress—"the state regulates the market and the market guides enterprises"—is not without grounds. Over the last two years some comrades have held a negative attitude toward this model. This is not proper. At the same time, it should be pointed out that "the state regulating the market" was put in the top position of the economic operating model solely for the reasons that the market system and mechanism in our country are still imperfect, and the market is still unable to serve as an effective guide for enterprise behavior. Under these circumstances, as the structural reform moves along and as the government continuously reduces direct intervention in enterprises, it is necessary to simultaneously strengthen market regulatory and control power, which includes developing and perfecting the market. This is very important for lessening market fluctuations and preventing the losing of macroscopic control. However, as the market system is gradually perfected and the market mechanism become effective, then, with the basic establishment of a socialist market economy, market guidance for enterprises should become fundamental and all-encompassing; and government regulation of the market should be contingent and limited.

Third, it means that we must dare to make good use of all good achievements of capitalist economy. Viewed historically, the market economy was a product of the development of the capitalist commodity economy at a certain stage. It was a result of the development of capitalist productive forces and related to changes in capitalist production relations. In this regard it was just like the capitalist economic management style. But, without a doubt, both the capitalist market economy and its management style were important forces for promoting the development of social productive forces. Indeed, Marx never envisaged that the market economy would be pursued under the socialist system. But Lenin repeatedly stressed that in order to develop socialism

well, it is necessary to make full use of all that is useful in capitalism, including the capitalist management style. And a market economy is, in nature, no different from the management style. In Comrade Deng Xiaoping's eyes, a market economy is no more than a method for developing social productive forces. He said this as early as 1985: "There is no basic contradiction between the socialist system and market economy. The problem is what method we should use to develop social productive forces more effectively... If we can combine planned economy with market economy, then I think this will help liberate social productive forces and speed up the development of productive forces." Affirming the socialist market economy shows that we dare to make use of all distinguished achievements of capitalist economy. We have only one standard: To promote the development of social productive forces. This also happens to be the fundamental stand of Marxism.

Here one problem worth further discussion is: Does affirming the socialist market economy imply negating the planned economy, and will this affect upholding the socialist system? We believe that that depends on how we understand the meaning of the "planned economy" and the economic characteristics of the socialist system. One view equates the planned economy with the mandatory planning economy. This can be said to be a traditional view which is the theoretical foundation of the traditional system. On this view, a planned economy (that is, mandatory planning economy) is the opposite of a market economy; affirming the latter means negating the former. Another view sees planned economy essentially as the planning nature of the national economy. Under this view a planning economy is not the opposite of a market economy, and affirming the latter does not mean negating the former; because negating the mandatory planning economy will not negate the planning nature of the national economy, and the operation of the market mechanism can still, and must, reflect the requirements of macroscopic plans.

## II. The Contents and Characteristics of a Socialist Market Economy

It should be pointed out that a socialist market economy has many things in common with a capitalist market economy. What should be noted is that after affirming the socialist market economy, if we spend too much energy looking for arbitrary and far-fetched arguments showing that the socialist market economy has different contents and characteristics from those of the capitalist market economy, or even, based on this understanding, cast doubt on or intervene in the progress of the structural reform, we might turn the market economy we are developing into a form without basic content, and thus deprive the affirmation of the socialist market economy of any substantive significance. This has actually happened before. A similar situation appeared at a point in time after we affirmed the socialist commodity economy. We believe that an approach that delves into differences and neglects common points is incorrect and is a show of partiality. Affirming the socialist market

economy shows thereby that the socialist economy has the basic attributes and general contents of a market economy. Therefore the contents of the socialist market economy are the same, namely: General economic activities operate with the market as the center and the market mechanism is the basic means for allocating social resources.

Of course, there are important differences between the socialist market economy and the capitalist market economy. For now, the difference in their natures lies in their different ownership systems. A capitalist market economy takes capitalist private ownership as its foundation, whereas the foundation of the socialist market economy is the socialist public ownership which is the main body in the economy. Although, in the initial stage of socialism, nonpublic ownership elements account for a certain proportion and will continue to develop within a certain scope, overall the market economy remains socialist in nature as it is still based on public ownership, which holds the leading status. That is to say, as a comprehensive economic mode, the nature of the market economy is determined by the leading economic element—the ownership relations. Therefore the entire market economy is the socialist market economy.

Since the socialist market economy must reflect the planning nature of the national economy, then why not add the word "planned" before "market economy"? This is because, first, the word "socialism" already contains the meaning of being planned. Second, many capitalist countries are now increasingly strengthening the planning factor of the macroeconomy, and so some Western economists also call their market economies planned (macroregulated and controlled) market economies. Although there are still a great many differences between socialist and capitalist countries in the aspect of planning (or macroregulation and control), the word "planned" has ceased to convey the obvious difference between the two kinds of market economies.

Difference in the ownership systems as the foundation will inevitably result in the situation that the socialist market economy will carry some characteristics different from those of the capitalist market economy. These characteristics are produced as a result of the influence of socialist public ownership on market economic operations. For example, under the condition of a capitalist market economy, because of the general existence of private ownership, state regulation and control over the market is generally weak. When there are intense market fluctuations, macroscopic regulation and control is often powerless, of little effect and slow. Under the condition of a socialist market economy, as state-owned economic elements occupy a very large proportion, the state has a relatively strong material base for exercising regulation and control over the market; and state-owned enterprises will also play a role in state regulation and control over the market. If most of the state-owned enterprises pursue the shareholding system, the state can have a macroscopic regulatory and control function in market operations through the state shares (that is as a shareholder).

This will enable socialist countries to have noticeably stronger macroscopic regulatory and control power over the market mechanism than capitalist countries, an aspect that makes the operation of the market mechanism feature a stronger element of planning. Of course, there are two sides to everything. Socialist public ownership reduces fluctuations and the blind nature and partiality (such as polarization) inherent in a market economy. But it can create new problems or make problems worse (such as triggering bigger economic fluctuations) as a result of miscalculated planned regulation and control or excessive application of macroscopic regulation and control. Therefore, the characteristics of a socialist market economy provide us with certain advantages as well as demanding that we understand and grasp market economic laws better.

### **III. The Significance of Affirming the Socialist Market Economy**

Affirming the socialist market economy has important and profound significance for socialist economic theories, socialist economic structural reform and socialist economic development.

First, such an affirmation represents yet another important breakthrough in socialist economic theory. The founders of Marxism once believed that the socialist economy was purely a planned economy, because the socialism they conceived was built on a foundation of very advanced social productive forces. But socialism in practice is a far cry from this: Social productive forces are not advanced at all and commodity and monetary relations still universally exist. Under such a situation, why can the socialist system not make use of the market economy as a method for developing productive forces? Precisely with such a Marxist scientific attitude which seeks truth from facts, even in 1979, when people were still taking planning economy and market economy as the watershed distinguishing socialism and capitalism, Comrade Xiaoping pointed out explicitly: Arguing that the market economy is confined to capitalist society and the capitalist market economy is definitely wrong. Socialism too can pursue a market economy. The socialist economic practices since the start of reform fully prove the correctness of this argument.

The affirmation of the socialist market economy is another important theoretical breakthrough, following the theories of socialist commodity economy and the initial stage of socialism. Developing on the basis of the above two theories, the theory of socialist market economy represents a natural and reasonable development of socialist economic theory. It will further remove the ideological obstacles in people's minds, strengthen their concept of the market and thus help further liberate and develop productive forces.

Second, the affirmation will be an important boost for the promotion of structural reform. At present the economic structural reform in our country has come to a

stage where key problems have to be tackled. The deepening of reform is being constrained by certain ideological concepts; and enterprise structural reform, price, financial and tax reform and reform in macroscopic regulatory and control models are all constrained to a large extent by planning-market relations. Affirming the socialist market economy may clear up problems in this area. Under the condition of the socialist market economy, we may establish the concept of market regulation as the foundation and planned regulation as the guide, and gradually create an operating model where the state's main job is to coordinate the market and enterprises will be guided mainly by the market. If that is the goal, then we should further orient enterprises toward the market and turn them into genuine main bodies of the market, independent in operations, responsible for profits and losses and capable of self-development and self-restraint; and make them independent or "relatively independent" commodity manufacturers and operators. Reforms in prices, finance, taxation, banking, material supplies, wages and so on should be conducted according to the requirements of the market economy or principles that favor the operation of the market mechanism. In particular, the dual-track price system should merge more quickly into the market price track; the macroscopic regulatory and control system and mechanism should be based on market operation, and their regulatory and control functions over the market mechanism should be strengthened; and direct intervention in enterprises should be reduced. That is to say, the focus of macroscopic regulation and control should gradually shift from enterprises to the market. In sum, affirming that the function of the socialist market economy, as far as promoting structural reform is concerned, lies in its making us realize that economic structural reform must give full play to the regulatory functions of the market mechanism, and on this basis, creating a new model of relations between enterprises (the market main body), the market (the operating mechanism) and the state (the market coordinator).

Third, the affirmation helps in perfecting as soon as possible the socialist market system and market mechanism. Affirming the socialist market economy will enable us to make clearer the different functions and interrelations of the state, the market and the enterprises. With this, the government can reduce intervention in enterprises' microscopic affairs and spend more of its energy on establishing a market system and coordinating the market mechanism. This includes work in three aspects: 1) The government must break up regional market barriers and strongholds, curb the growth of monopolistic power, build a market order, and spell out market regulations so as to form a complete and unified market system and a market environment with rational competition, which will create conditions for normal and effective operation of the market mechanism. 2) The government must coordinate market relations and perfect the regulatory functions of the market mechanism. Growth of the market economy and the perfect working of market functions rely not only on the establishment by

the government of market relations on the microscopic level, but also on the exercise by the government of macroscopic regulation and control over the market. This includes: Controlling the economic growth rate and regulating macroscopic aggregate relations; promoting production structural adjustment and solving important structural problems; and promoting the improvement of product quality and doing a good job in quality control on a macroscopic level. These are three important aspects of government coordination of the market mechanism. 3) The government must also compensate for the inadequacies of market regulation, doing things which the market cannot do or do well. As a means for allocating social resources, the market economy has its functions and also its drawbacks. Regulation by the market mechanism has at least the following drawbacks: 1) It may cause instability in economic operations or increase the unstable elements in economic operations (this is an outstanding problem arising from advanced competition). 2) It cannot ensure equal income distribution, with the result that efficiency is gained at the expense of a certain degree of justice (the market mechanism by its nature has no interest in ideals such as just distribution and equal income). 3) Although the market mechanism has the natural tendency to promote technological progress, it is powerless in producing public or meaningful products (because the price system does not function in this area). 4) Though to a certain extent it can coordinate individual and public interests (that is Smith's "invisible hand" that promotes public interests and social goals), it often causes abuses and waste of social resources and environmental pollution (because these are caused by economic interests, but lie outside individual interests). Therefore the government must take up responsibility in these areas, compensate for the inadequacies of the market mechanism, reduce the drawbacks of market regulation and solve problems that the market cannot solve itself. The above missions are arduous and heavy. Only by spelling out the requirements of the market economy and practicing separation of government and enterprises, and only when the government really keeps its hands off enterprises' microscopic affairs can there be enough power to handle problems in these areas.

Fourth, the affirmation will serve as a directional guide for our country when it participates in international market competition. Affirming the socialist market economy can serve as a directional guide for raising our competitiveness in the international market after our country's signatory status in the GATT is restored. We can safely say that it will be difficult to join competition in the global market economy without first vigorously developing the market economy domestically. After our signatory status in the GATT is restored, even if we do not enter the markets of other countries, other countries will enter our market. As a member of the international market, China will not be able to resist foreign enterprises if it lacks a sense of market and competitiveness. Only by pushing our country's enterprises, especially the state-owned large- and medium-sized ones, into the

market as quickly as possible and subjecting them to tests can we enable them to stand their ground and achieve something in the forthcoming waves and storms of the international market.

### **Consumer Goods Industry Targets Overseas Business**

*HK1409034792 Beijing CHINA DAILY in English  
14 Sep 92 p 2*

[By staff reporter Chang Weimin: "More Sales Overseas Targeted"]

[Text] China's consumer-goods industry, the country's largest export sector, is aiming to expand its business abroad, especially in neighbouring nations.

During the past few months, delegations of high-ranking officials and entrepreneurs have shuttled between China and target nations. Business talks are expected to be even more frequent in the future.

Officials from the Ministry of Light Industry said that Kurenkov Vladimir Ivanovitch, chairman of Belarus's Industrial Production Committee, and Robert Mkrtchian, Armenia's Minister of Light Industry, are to lead delegations to China this month.

"Substantial" results are expected in trade and economic cooperation in the light industries, they added.

The two delegations' visits are to reciprocate visits made by Zeng Xianlin, Chinese Minister of Light Industry, who returned from Belarus, Armenia and Russia early this month.

Early this year, a vice-minister from the industry also led a delegation to Southeast Asia in which business opportunities were discussed.

"Agreements on trade and economic cooperation are very likely to be signed this month," the Chinese official, who required anonymity, said last weekend.

Senior officials from the Chinese Ministry of Light Industry have met with Michael Perry, chairman of the British Uni Lever Company, to discuss opening joint ventures in China.

Uni Lever has already started four joint ventures with Chinese partners in Shanghai, three of them are with light industrial plants.

Light industry in China, which produces consumer goods such as sugar, paper, food, plastic products, furniture and electric household appliances, has developed rapidly over the past decade.

China's light industry last year had a production value of 333.3 billion yuan (\$61 billion) and chalked up exports worth \$19 billion, nearly one-fourth of China's total.

The senior official elaborated on the industry's programme for business expansion abroad last weekend in

Beijing, saying he attended a signing ceremony on a plastic-products joint venture between Plastics Industrial Company Limited in Wuzhong, Ningxia Hui Autonomous Region, and the Dubai Islamic Bank of the United Arab Emirates.

The \$2-million firm, which is to produce 1,000 tons of plastic-packaging products a year, is expected to go into production next year.

China's light industry has so far established 2,800 joint ventures with overseas firms. Many are based abroad.

In October, the industry will organize a conference in Heilongjiang Province on border trade with CIS republics and nations neighbouring China's south western provinces and autonomous regions.

### **Provinces Successful in Reducing Enterprise Losses**

*92CE0652A Beijing JINGJI GONGZUO TONGXUN [ECONOMIC WORK NEWSLETTER] in Chinese No 12, 30 Jun 92 pp 8-9*

[Article by Gu Sheng-Chu]

[Text] Recently, we have conducted investigation and study of the work on reducing enterprise losses and increasing profits in eight provinces and municipalities in the northeastern and eastern regions of China. The results showed that initial successes have been achieved in the work of reducing losses and increasing profits; however, hard efforts are still needed to achieve the loss reduction goal for the entire year.

In the last few years, the number of unprofitable industrial enterprises in the eight provinces and municipalities (including Liaoning, Jilin, Heilongjiang, Zhejiang, Jiangsu, Shandong, Shanghai and Harbin) has increased year after year. At the end of 1991, the number of unprofitable industrial enterprises within the local budget accounted for 27.3 percent of the total number of locally budgeted industrial enterprises in the nation, with the average number of unprofitable enterprises being 31.4 percent. The amount of losses incurred by unprofitable enterprises accounted for 34.6 percent of the total amount of losses incurred by the locally budgeted industrial enterprises in the nation, among which some provinces ranked first in the country in terms of losses. This not only seriously hampered local economic development, but also had a great impact on the nation.

The State Council decided to further develop the work of reducing enterprise losses and increasing profits throughout the nation. The eight provinces and municipalities put the work on the agenda as an important task and paid close attention to it as an important issue of economic work. After the national work meeting on clearing up "triangular debts," these provinces and municipalities immediately held meetings, unified thinking, strengthened organizations, arranged the work, and acted swiftly with great momentum. The work of

reducing losses and increasing profits had a good start, and has achieved initial success. From January to April this year, the amount of industrial losses and enterprises losses of the eight provinces and municipalities within the budget dropped 10.5 percent and 4.3 percent respectively from the same period last year. Although the situation of loss reduction was not the same in terms of locality, the general trend showed that the situation improved month after month. In terms of trades, losses were reduced in some industries such as metallurgy, machine building, and construction materials, but increased in others such as textile, electronic, and light industries. Apart from the increased subsidies resulting from reform in the housing, grain price, and social security systems and the losses brought about by cutting inventories and selling goods at reduced prices, the reasons for the increased losses included: 1) The fast production growth rate and low product sales tied up an excessive amount of funds, and increased interest payments. In Jilin Province's budgeted industrial enterprises, in the first quarter of this year, because production exceeded marketing, 21.15 billion yuan was tied up on average by circulating funds, of which 12.27 billion yuan was tied up by the three-item funds. Thus, an additional 32.86 million yuan of interest had to be paid. 2) There was no noticeable improvement in the management level, and acceptable product quality was poor. The acceptable rate of textile products in Liaoning Province was only 84 percent from January to April, 10 percentage points lower than its neighboring province, Hebei. This factor alone has affected the amount of benefits by six million yuan or more. Some textile enterprises turned from being profitable to unprofitable. 3) Enterprises suffered losses because of the price factor. The pig iron and other supporting semifinished materials of the No. 5 Plant of the Shanghai Iron and Steel Corporation, which were originally supplied in a concentrated way in accordance with the state plan, were currently supplied at actual prices; the difference in price was 69.13 million yuan, which was included in the costs of the first quarter of the year. Consequently, there was a 67.08 million yuan enterprise loss, becoming a big unprofitable enterprise. 4) Seasonal overstocking of products in large quantity also caused losses. In April, in Heilongjiang Province, the production of white sugar exceeded the sales volume, which caused product overstocking in large quantity. It resulted in enterprise losses, which were expected to reach 700 million yuan or more throughout the year.

The eight provinces and municipalities made every effort to ensure the work of reducing losses and increasing profits a success in terms of organization, task, policy, and measure. They had a distinct sense of urgency and crisis. Every province and municipality set their own loss reduction goal in accordance with the state requirements and in the light of their own actual conditions. They delegated the loss reduction goal to prefectures, cities (counties) and departments in charge of trades. Only after it was concretized did they implement level after level down to enterprises, workshops and

teams and groups. A loss reduction goal responsibility system was carried out, and certificates of responsibility were signed. Provinces, prefectures, cities (counties) set up a supervision and inspection system to assess regularly and to publish the progress of the work of loss reduction in local newspapers on a quarterly (monthly) basis. Both rewards and punishments were given. Some provinces gave a yellow-card warning to enterprises that failed to achieve the loss reduction goal, and others applied the method of "three cut-offs," that is, cutting the route of retreat in which enterprises get cancelling stocks in finance and tax refunding in taxation; cutting off the route of retreat in which pay rises are offered and bonuses are distributed as usual; and cutting off the route of retreat in which enterprise leaders secure their official positions as usual or are transferred to work in other enterprises as officials. For unprofitable enterprises whose leading bodies were not united, coordinated, suitable, and qualified, the iron armchair was removed and the leading bodies were reorganized. They were ordered to reduce losses within a specified time. As for enterprises that have incurred losses for a long time, and had great difficulties in reducing losses, they were closed down and ordered to change their lines of production. For those enterprises that are hopeless to reduce losses and their assets could not cover their debts, they conducted bankruptcy experiments.

Moreover, based on their local conditions, the eight provinces and municipalities adopted policies with their own characteristics.

Zhejiang Province adopted the system of linking loss reduction with loans to encourage enterprises to turn losses into profits. Banks offered a certain amount of loans to set up a loan double linkage system. One of which is to link loss reduction with the increased loans for circulating funds, with the linkage ratio being 1:0.5-1. The second one is to link loss reduction with the increased loans for technological transformation, with the linkage ratio being 1:0.5.

Jilin Province practiced a "three-link" system, a strengthened restriction mechanism. The first link is the linkage between loss reduction and the enterprises' honor. If an enterprise fails to fulfill the loss reduction task within the year because of nonobjective factors, all the honored titles and employee wage incentives will be taken away. The second link is the linkage between loss reduction and the duties of cadres at the factory-level. While eliminating losses, the wages of the cadres at the factory-level of an enterprise that incurs operational losses are to be frozen without exception and floated a half-grade downward; cadres at the factory-level of an enterprise that cannot complete the loss reduction goal because of nonobjective factors are to be dismissed from office, but remain in the enterprise and not transferred to other enterprises holding the same post. The third link is

the linkage between loss reduction and employees' interests. While eliminating losses, the wages of employees of an enterprise that incurs operational losses will be on the average floated a half-grade downward, and no bonuses will be given. If the loss reduction task is completed within the year, the downward-floated wages will be paid retroactively; if not, their wages will continue to be floated downward accordingly in the coming fiscal year.

Shandong, Liaoning, Heilongjiang, Jiangsu and other provinces set up loss reduction funds to support enterprises in reducing losses and increasing profits. Shandong Province, allotted 50 million yuan, banks offered 30 million yuan, and raised another 20 million yuan through channels outside the budget as a loss reduction fund to support enterprises that had made tangible results in reducing their losses. Provinces such as Liaoning, Heilongjiang and Jiangsu, set up loss reduction funds to support enterprises that had good prospects for reducing losses in undertaking the "short, general, and quick" technological transformation project, promoting the structure of product adjustment, developing new products, and turning losses into profits.

Provinces such as Liaoning and Heilongjiang set up grass-root units to help unprofitable enterprises turn losses into profits in selected localities, trades, and enterprises. The Liaoning provincial party committee and government transferred 500 cadres and professional and technical personnel from the institutions directly under the jurisdiction of the provincial government to form a loss reduction work group and sent them to 100 enterprises that suffered serious losses in operation to help them reduce their losses. Heilongjiang Province transferred 201 office leading cadres to form a work group to assist 194 big unprofitable enterprises on a contract responsibility scheme. While eliminating losses, a responsibility system was practiced to assess, reward, and punish cadres, including provincial leaders in charge of the work. Those who completed the loss reduction task well were commended and rewarded through widely circulated notices, and those who did not do their best in their work and failed to fulfill their tasks were criticized and punished, such as floating their wages downward through widely circulated notices.

Analyzing the situation of enterprise losses and the actual progress of the task of reducing losses and increasing benefits in the eight provinces and municipalities, loss reduction work will achieve further successes following the adoption of policy measures one after another. However, there are still great difficulties to overcome to achieve the loss reduction goal assigned by the state to the lower levels. Leaders in all localities should give the task a great deal of attention and carry it out in real earnest. As long as the policies are implemented and effective measures adopted, it is possible to complete the task of achieving the predetermined goal for the entire year.

**1991 Science, Technology Statistical Communique**  
*92CE0657A Beijing ZHONGGUO TONGJI XINXI  
 BAO in Chinese 27 Jul 92 p 2*

[Text] In 1991, under the guidance of the party's basic line, China's science and technology achieved remarkable results, and scientific and technological consciousness was raised to a great degree. All levels of leadership gave even more attention to scientific and technological work, which had a beneficial influence on the emergence of scientific and technological development over the whole country. A strategy of having science and technology promote the development of provinces and cities has been universally implemented. Financial, banking, taxation, industry and personnel departments and various circles in the society have continuously strengthened their support of scientific and technological progress, the speed of dissemination of scientific and technological knowledge has accelerated, and the societal mood of loving science, studying science and using science has become even more pronounced. China's scientific and technological undertakings have entered a prime development period.

In 1991 the State Council approved the "The National Intermediate Period Scientific and Technological Development Guiding Principles," the "National Intermediate Period Scientific and Technological Development Program," and the "People's Republic of China Scientific and Technological Development 10-Year Plan and Eighth Five-Year Plan Program," representing a major event for scientific and technological circles all over the country.

At the end of 1991, China in total had 24 provinces (regions), 12 cities listed separately in the state plan, more than 10 departments, more than 220 localities (cities) and more than 1,000 counties (cities) that had promulgated development strategies to use science and technology to revitalize provinces, cities, agriculture and industries, and these made encouraging progress.

In 1991 the total financial allocation for science and technology was 15.623 billion yuan, an increase of more than 12.3 percent over 1990; loans extended for the development of science and technology amounted to 6.67 billion yuan. Research and development (R&D) outlays for the whole county amounted to 14.2 billion yuan, accounting for 0.72 percent of the GNP. This reflects the fact that China's R&D activity is at the average level for developing countries.

### 1. Science and Technology Development Plans

The various scientific and technology development plans pursued by China on the basis of the overall "Seventh Five-Year Plan" practical experience closely center on and are geared towards the primary battleground of building the economy, developing new and high technology and its industries, and developing basic research.

For national key priority science and technology task plans, in 1991 176 feasibility reports were approved,

2,245 special topic contracts were signed, and national allocations reached 750 million yuan.

The High Technology Research and Development Plan (the 863 Plan), on the basis of Chinese national conditions, puts forward the principle of "limiting the target, stressing the key points," and has selected the seven fields of biotechnology, aerospace technology, information technology, laser technology, automation technology, energy technology and new materials technology, as China's high technology focal points. In 1991, in total 1,224 research topics were approved, and the overall allocation was 400 million yuan.

The Basic Research Plan is a plan that takes guidance as primary and directives as supplementary. In 1991, nationwide there were 3,495 natural science fund subsidized research items, with a total subsidy of 170 million yuan. There were 12 major basic research key items, allocated 12 million yuan, and 110 subsidized national focal point laboratories and departments that opened laboratories using 20 million yuan in subsidies.

The purpose of the Spark Plan is to have science and technology spark and spread to vast rural areas, and promote the progress of modernization. In 1991, nationwide there were 6,778 Spark Plan projects, including 496 national level projects. Nationwide the Spark Plan's new list of projects has a total investment of 548 million yuan, including state allocation of 20 million yuan, and bank loans of 211 million yuan. In 1991 the Spark Plan altogether trained 2.4 million management personnel and technical personnel, with 67 training bases in total.

The Torch Plan is a guidance plan for developing China's high and new technology industries, and its purpose is to promote the commercialization of China's new technology achievements, the industrialization of new high technology products, and the internationalization of high technology industries. In 1991 there were 301 projects handled by the national level Torch Plan, with a total investment of 132 million yuan, including a state allocation of 45 million yuan. Local level Torch Plan projects totaled 813, with a total investment of 227 million yuan.

As primary bases for implementing the Torch Plan, by the end of 1991, the State Council had approved a total of 27 national level high technology industrial economic development zones. At the end of 1991, for these 27 economic development zones, statistics indicate that nationwide the total area of the zones is 480.5 square kilometers, with 2,487 high technology enterprises, and a workforce of 1.28 million people. In 1991, these 27 economic development zone enterprises total output value was 712 million yuan, a per capita output value of 52,000 yuan. That year exports totaled 710 million yuan, real remitted taxes totalled 390 million yuan, and profits totalled 790 million yuan. Skilled worker trade income amounted to 8.73 billion yuan, including technology type income of 171 million yuan, and 780 million yuan was used in scientific research and technology development cost expenditures.

In January 1990, the National Science and Technology Achievements Focal Point Popularizing Plan was officially launched. Its goal is to circulate scientific and technological achievements in the process of economic

construction, and promote the use of science and technology in building the economy. In 1991, this plan stressed the dissemination of 485 project results, including 289 in agriculture, and 196 in industry, with a state allocation of 400 million yuan.

## 2. Technological Achievements

In 1991 a series of outstanding scientific research results continued to emerge.

In 1991 nationwide 32,653 major scientific and technological achievements were made, including: 29,884 applied technological achievements, or 91.5 percent of the total, and 2,769 theoretical achievements, or 8.5 percent of the total; 3,891 achieved national level major scientific and technological results; 958 scientific and technological achievements garnered national level awards, including 53 national natural science awards, 209 national invention awards, 502 national scientific and technological progress awards, and 194 national spark awards.

Patent facilities have developed rapidly, and at the end of in 1991 there were 470 patent agencies. Over the entire year some 50,040 patent applications from inside and outside the country were received and reviewed, including some 4,645 foreign patent applications. Approved patents totalled 24,616, an increase of 9.0 percent over the previous year.

The number of scientific and technological papers published in China continues to increase, and using the statistics from four internationally recognized retrieval tools, in 1990 the overall number of science and technology papers published in China was 13,352, an increase of 9.2 percent over 1989. According to rank in terms of the numbers of recorded papers, China ranks 15th in the world. According to statistics for 1990 on 1,230 domestically published Chinese language major science and technology publications, China's science and technology authors published 88,723 articles.

## 3. Technology Trade

In 1991, China's high technology product imports and exports steadily developed, with the export total progressively increasing.

In 1991, the import/export total for high technology products was \$12.32 billion, an increase of \$2.66 billion over the year before, or an increase of 27.6 percent. High technology product import and export totals accounted for 9.1 and 11.3 percent respectively of the country's overall commodity import and export total and industrial finished product import and export total, up by 0.7 and 0.5 percent respectively over the previous year.

In 1991, China's high technology product export total value reached \$2.88 billion, or a 7.1 percent increase over the previous year. The level of high tech product imports reached \$9.4 billion, an increase of 35.5 percent. Though the total value of high tech imports and exports

has been increasing year by year, a trade deficit in high tech imports and exports still exists, and in 1991 topped \$6.56 billion.

In 1991, the national high technology market continued its steady development. According to high technology market statistics from 28 provinces, autonomous regions, and municipalities directly under the central government (excluding Tibet, Guizhou and Taiwan), in 1991, nationwide a total of 207,000 high technology contracts were concluded, with a volume of high technology contract business of 9.414 billion yuan, increases of 0.11 percent and 25.36 percent over the previous year. The volume of trade for each technology contract continued to rise, increasing 25.34 percent from the 1990 level of 36,300 yuan to reach 45,500 yuan in 1991.

## 4. Various Types of Independent Scientific Research and Technology Exploitation Organizations

At the end of 1991, with the exception of the national defense science, technology and industry system, nationwide there were 5,222 independent scientific research and technology exploitation organizations (simply called research and exploitation organizations below) owned by the whole people and subordinate to departments above the county level, among which natural sciences and technology fields research and exploitation organizations totaled 4,866; there were 404 independent science and technology information and document organizations (simply called science and technology information and document organizations) owned by the whole people and subordinate departments above the county level; and there were also 2,309 research and exploitation organizations subordinate to the county level.

### A. Natural sciences and technology field research and exploitation organizations

In 1991, nationwide there were 4,886 research and development organizations dedicated to the natural sciences and technology fields. These organizations employ a total of 770,000 people, including 310,000 scientists and engineers engaged in scientific and technological activity, constituting some 40.3 percent of the total.

The annual overall expenditures and receipts of these organizations was 16.1 billion yuan, including 5.74 billion in government allocations. The total expenditures amounted to 14.47 billion yuan, including basic construction expenditures of 1.62 billion yuan.

### B. Social sciences, humanities research and development organizations

In 1991, nationwide there were 336 social science and humanities research and development organizations, employing a total of 21,000 peoples, including 14,000 scientists and engineers, who made up some 52.2 percent of the total. The annual expenditures and receipts

totaled 260 million yuan, including government allocations of 240 million yuan. Expenditures totaled 260 million yuan, including 40 million yuan for basic construction.

#### C. Science and technology information and document organizations

In 1991 nationwide there were 404 science and technology information and document organizations, employing a total of 23,000 people, including 12,000 scientists and engineers. The annual expenditures and receipts totaled 400 million yuan, including 280 million in government allocations. Expenditures accounted for a total of 400 million yuan, including 63 million yuan for basic construction.

#### D. County level research and development organizations

In 1991, nationwide there were a total of 2,309 county subordinate research and exploitation organizations, employing a total of 60,000 people, including 7,000 scientists and engineers, accounting for 12.1 percent of the total.

Annual expenditures and receipts totaled 476 million yuan, including 168 million in government allocations. Annual expenditures totaled 390 million yuan, an increase of 5.5 percent over the previous year.

#### E. Reform of the S&T system

At the end of 1991, reform of the central department subordinate technology exploitation type scientific research organization allocation system was already fully in place, and locally 75.6 percent of technology exploitation type scientific research organization operating expenses were in place. Already 2,148 scientific organizations with 76,000 people have established links of various types with enterprises and enterprise groups.

In 1991, among the nation's technology exploitation type scientific research organizations, the total volume of crosswise technology contracts reached 269 million yuan, with the results of 15,000 problems popularized for application.

## PROVINCIAL

### **Beijing's Tertiary Industry Interests Investors**

*OW1309150692 Beijing XINHUA Domestic Service  
in Chinese 0154 GMT 13 Sep 92*

[By reporters Ni Xiaolin (0242 1420 2651) and Yan Zhenguo (7051 2182 0948)]

[Text] Beijing, 13 September (XINHUA)—The many inconveniences the capital's residents have experienced in their social and economic life have now become something that domestic and foreign investors regard as a tremendous exploitable market. This change in the

perception of the situation has made the tertiary industry in the capital a new focus of investments from various sectors in recent years.

As everyone knows, Beijing's tertiary industry was not well developed—it only had few small-scale tertiary industrial facilities and many undeveloped areas. This situation was very unbecoming to Beijing's status as the capital of the country. As the pace of reform and opening up quickened, Beijing's residents learned that developing tertiary industry is a profitable business. Taking advantage of this situation, the Beijing Municipal CPC Committee and Government established various preferential policies to promote tertiary industrial development, quickly developing a interest within various sectors to invest in tertiary industry. Making use of its advantages, the capital's retail industry took the first step in this direction—they chanted the slogan that the capital's market should be developed and used by the entire country, thereby opening up a new situation in building retail facilities in the capital. Construction of 44 large retail outlets, each with over 10,000 square meters of floor space, has been planned for this year—with a total floor space of 1.09 million square meters. So far, the Lufthansa Center and the underground Fuxing Shopping Center have been completed and put into use. The Landao Shopping Center, Shuangyan Shopping Center, and Guotai Shopping Center also will soon open. Some large commercial enterprises have seized the opportunity to annex factories in an effort to expand their tertiary industrial bases. The Beijing Department Store has annexed the Beijing Socks Company and the Beijing No. 4 Printing Shop, and the Dongan Market Group has taken over the Beijing No. 2 Watch Company, which employs 1,500 workers. The capital's industrial sector also has been aggressive—many industrial enterprises, while readjusting their industrial structures and streamlining their production operations, have made great strides toward tertiary industry. The Beijing Printing and Dyeing Company invested in building guesthouses and dance halls, resulting in a larger income from its "side businesses" than from its original business. The Beijing No. 2 Eyeglass Company, which used to lose about 700,000 yuan annually, rebuilt one of its plants into a eyeglass shop, resolving the company's financial difficulties. According to statistics, Beijing's industrial sector currently has set up more than 3,500 tertiary industrial establishments that employ 84,000 workers. Peasants of Beijing's outskirts also have tried to play a role in developing the capital's tertiary industry—four guesthouses, mainly for foreign tourists, have been built in Fengtai District's Nanyuan Township alone. What is even more encouraging is that companies providing household services also have begun to develop in the capital. Since the Jingtu Household Service Center was established in March 1992, similar enterprises—such as Xieli, Santi, Haoxin, and Bangzhong—have been established successively. There are now nearly 20 such enterprises in Beijing.

Beijing residents' interest in developing tertiary industry has excited people across the country in investing in

Beijing's tertiary industry. In addition to Guangdong, Shanxi, and Hebei—which have built the Beijing-Guangzhou Mansion, the Sanjin Guesthouse, and the Hebei Hotel, and have set up other large tertiary-industrial enterprises in Beijing—all provinces, municipalities, and autonomous regions wish to invest in the capital's tertiary industry. Hainan Province recently signed an agreement with Beijing's Haiding District on investing 250 million yuan in building the Contemporary Center, a general-purpose commercial center, in Beijing. More than 100 people than were expected attended a meeting held by the Beijing branch of the Bank of Industry and Commerce of China to solicit investments from other localities for developing Beijing's commercial facilities, and investment agreements totaling 3.6 billion yuan were reached during the three-day meeting.

While people across the country rush to invest in the capital's tertiary industry, overseas businessmen also have set their eyes on Beijing. In the past, overseas investment in Beijing's tertiary industry was mainly in building guesthouses and hotels, but overseas investment lately has begun to shift to real estate development and retail businesses. Hong Kong businessmen's investments in rebuilding the Dongan Bazaar and in improving the commercial facilities in Wangfujing's Datianshui area have created an interest in investing in the capital's tertiary industry by overseas investors. Currently, overseas investors have shown great interest in investing in Beijing's Dazhalan commercial district, the Beijing new railway station area, the Longfushi commercial district, and other busy city streets. Since the beginning of 1992, plans for constructing more than 50 Sino-foreign tertiary-industrial projects have been drawn up. Total investment, including the amount reached in agreements of intent, has exceeded \$7 billion. A responsible official of a department concerned said overseas businessmen's interest in investing in Beijing's tertiary industry and the scale of their planned investments were both greater than expected.

Currently, Beijing's departments concerned are making use of every minute to draw up a unified plan for the city's tertiary industrial development. They have reasonably arranged available resources and selected 107 large projects as joint investment projects with domestic and overseas investors in an effort to raise the capital's tertiary industry to a new level.

#### **Henan Implements Measures To Improve Enterprises**

92CE0659A Zhengzhou HENAN RIBAO in Chinese  
8, 9, 10, 11 Jul 92

[Article by Zhu Xiayan (2612 1115 3508) and Wu Chu (0124 2806): "Study on Henan's Implementation of Measures To Revitalize State Enterprises"]

[8 Jul 92 p 1]

[Text] To make a success out of large- and mid-sized state enterprises, the State Council introduced 12 measures in 1991 aimed at improving their external environment and changing their internal operating mechanisms, with the ultimate goal of propelling them toward the market.

One year later, what are the results? In conjunction with other interested departments, this newspaper conducted a comprehensive and in-depth study on the way the 12 measures were carried out in eight key enterprises in such industries as petroleum, coal, power, and metallurgy and analyzed some problems of a general nature that occurred in the course of implementation. We think these problems are common to large- and mid-sized state enterprises today, so studying and solving them has enormous significance for enterprise reform.

Topping the 12 measures formulated by the State Council was increasing investment in the technological transformation of enterprises because it would determine the future of industrial development in China. Our study on the eight key enterprises, including Zhengzhou Oil Field and Pingdingshan Mining Bureau, however, shows that investment in the technological transformation of enterprises is woefully insufficient, and constrained by profit-loss contract targets. According to preliminary calculations, investment in the technological transformation of the eight enterprises was short by about 50 percent in the last four years of the Eighth Five-Year Plan.

There are two major explanations for this situation:

First, enterprise equipment is seriously obsolete.

Over 60 percent of the major equipment in the eight key enterprises dated from the 1950's and 1960's. The most typical example is the Yima Mining Bureau. Of the 10 pieces of comprehensive excavation equipment on the books, seven need to be replaced or discarded quickly. Altogether 290 million yuan in technological transformation funds are needed to replace them and other equipment, yet the enterprise was able to raise just 120 million yuan.

As far as equipment is concerned, the situation in the other enterprises is similarly pessimistic. At the Luoyang Copper Processing Plant, over 64.4 percent of the equipment is on "extended active duty." Each year the Henan Oil Field is supposed to set aside 20 million yuan to finance the overhaul of petroleum pipelines but can come up with a mere 600,000 yuan.

Second, the collection of depreciation funds is seriously below par.

Depreciation funds constitute the principal source of technological transformation funds for enterprises. In 1991 four of the eight enterprises adopted a policy of accelerated depreciation and were able to increase their technological transformation funds by 81.54 million

yuan, 58 percent of the increase in technological transformation funds for that year. But the other four enterprises failed to take advantage of this preferential policy. Because of policy-induced losses, Zhengzhou and Henan Oil Fields explicitly decided against acceleration for the moment. Pingdingshan Mining Bureau started collecting more and more depreciation funds since the beginning of the year, to the tune of 14.32 million yuan, only to be forced to return them all at year end after failing to reach the contract profit target. Yima Mining Bureau has been incurring heavy losses and simply could not adopt a policy of accelerated depreciation.

All four enterprises locked out of accelerated depreciation are in the basic energy industry. Each of them entered into a profit-loss contract with its department in charge above in 1991. Owing to rising mining costs and the fact that the prices of crude oil and raw coal are controlled too rigidly, the energy industry has been floundering in recent years and simply cannot depend on regular incomes to meet the profit-loss targets. To honor their commitments under the contract, the enterprises have no choice but to dip into their depreciation funds to close the gap.

The task of meeting the profit-loss target by collecting less depreciation funds has extremely serious consequences. Not only does it violate financial laws and regulations, but the enterprise becomes less and less able to undertake transformation and modernization. What results is a vicious circle: Even as its equipment becomes increasingly obsolete, the enterprise faces a growing shortfall in its technological transformation budget and a declining capacity for product upgrading. Currently the combined specialized technological transformation funds of these four enterprises fall short by 443 million yuan each year. It gives you an idea of the kind of burden enterprises labor under.

But that is not all. Technological transformation starts with equipment modernization but does not end there. Even more important is the pursuit of high-tech, which requires even more funds. Enterprises that hope to march onto the realm of high tech are faced with a host of difficulties and the only way out seems to be borrowing. In theory, the loans should be repaid with after-tax retained profits. Yet even a large enterprise like Pingdingshan Mining Bureau with 100,000 workers has only 20,000 yuan in after-tax retained profit each year. What to do? Take out new loans to pay off old loans. Zhengzhou Oil Field is forced to resort to the technological transformation specialized fund to pay its debt, estimated to be 1.4 billion yuan in the last four years of the Eighth Five-Year Plan.

The state of technological transformation in these enterprises spotlights a major barrier to the revitalization of large- and mid-sized state enterprises. Investment in technological transformation mainly comes from depreciation funds, yet to meet the profit-loss contract target and pay their debt, enterprises have no choice but to go slow with depreciation.

How do we overcome this barrier? In our study, people in the economic community have prescribed a list of remedies:

1. The state should promptly establish a target evaluation system to measure the technological standard of an enterprise. The Douglas coefficient in use in recent years is too complicated and inconvenient to use. We should devise a formula suited to China's conditions by taking into account the current state of technological transformation in Chinese enterprises.
2. Incorporate an enterprise's level of technical progress into the contract system in the form of a target, thus improving the enterprise contract system further. By putting the technical progress target on a par with other targets such as output and profit/loss, making all of them major criteria in evaluating an enterprise, we can prevent short-term kill-the-goose-that-lays-the-golden-eggs behavior.
3. The Ministry of Finance should offset some of the actual losses suffered by enterprises in the basic energy industry after depreciation, depending on the circumstances. Also, reform the price system and review and revise the profit-loss target for energy enterprises.
4. Create an incentive mechanism to encourage scientific and technical progress. Encourage enterprises to use new technology and tap their potential for technological transformation. Any increase in output and savings made possibly by the application of new technology should be retained by the enterprise in accordance with a set ratio.
5. Raise the technological transformation lending target and lower the interest rates on technological transformation loans as appropriate. The terms for loans to finance high-tech development should be made even more liberal.

If something can bring enterprises back to life, it is worth trying.

[9 Jul 92 p 1]

[Text] We learned from our study that no matter how generous the 12 measures are, there are always many enterprises unable to take advantage of them, the very enterprises that are in the worst of shape and most dependent on a good policy to vitalize them.

Between them the eight key enterprises in the survey have 25.7 billion yuan in fixed assets and 2 billion yuan in working capital and hire 300,000 workers in all. Each year their combined sales revenues amount to 9.7 billion yuan and they turn over 1.3 billion yuan in profits and taxes to the government. Their pivotal position in and contribution to the national economy make it clear that if we are to make a success out of large- and mid-sized state enterprises, we must first put these leading enterprises that impact the national economy and people's

livelihood on a sound footing and formulate a preferential policy benefiting these key enterprises first and foremost, which was the original intent behind the 12 steps proposed by the State Council.

Reality has not turned out the way we hoped for. This is all too clear from the way the most important policies have been implemented.

Increase investment in the technological transformation of enterprises. This has not happened in four out of the eight enterprises. The reason is a failure to meet the profit-loss contract target. Their technological transformation budget is off by 50 percent.

Reduce command planning. Command planning has simply not been reduced or reduced only marginally at the four enterprises. The losses they incur are essentially policy-induced. This is particularly true of the two oil fields; recovery costs are high, but prices are controlled too rigidly. They receive no minimum compensation to offset their production costs and cannot market a single ton of their output on their own.

Raise enterprise depreciation as appropriate. This has not happened in four enterprises again because of a failure to meet the profit-loss contract target.

Boost new product research and development [R&D] spending. Five enterprises have failed to put 1 percent of their sales revenues into a new product R&D fund because they have been losing money or are only marginally profitable.

Supplement enterprise working capital. Five enterprises have failed to take advantage of a policy under which the state would supplement an enterprise's working capital by an amount equal to 1 percent of its sales revenues. Once again the reason is that they have failed to meet the profit loss contract target.

It is said by people in the enterprises that the 12 measures are all well and good, but since their realization is predicated on making a profit and meeting the contract target, they are tailor-made for the rich. Beleaguered enterprises simply are not in a position to benefit from them. The general accountants of Zhongyuan and Nanyang Oil Fields make the following appeal: "Rather than issuing this or that policy, it would be better if you give us the power to sell our products at set prices." Right now all natural gas is sold to the state. People in the industry say that if the government would just let the production units market 10 to 20 percent of the current output on their own at prices set by the units themselves, with the state merely guiding the direction of sale, that is, if the state determines the outlets and volume but not prices, then the oil fields will meet their loss contract target and be able to take accelerated depreciation. They will also have money for technological development. If they can do all these things, they would effectively be vitalized.

Based on this way of thinking, Pingdingshan and Yima Mining Bureaus can also work themselves out of their current quandary.

The Henan Provincial Power Bureau currently keeps the prices of its electricity at the level set in the "List of Electro-Thermal Prices" issued in 1976. Increasing the proportion of self-marketed power output from 1 to 3 percent, not to mention giving production units the power to set prices, will rejuvenate the entire province's power industry like a pond in spring.

These demands do not seem excessive from the enterprise's perspective.

In the broad national context, however, such practices may be somewhat dangerous. If we allow enterprises to set the prices of important energy products and raw materials, including crude oil, coal, electricity, power, steel, and aluminum ingot, it will certainly affect the domestic market in a major way and set off a chain reaction. Nevertheless, according to the law of value, prices set by enterprises will ultimately be constrained by the domestic and international markets and stabilize. Nowadays the prices of petroleum and coal depart significantly from their value, causing enterprises heavy losses. Not only is the development of enterprises hampered, but it also constitutes a drag on the treasury. Rather than continuing to carry this heavy burden, the state would be better off if it firmly resolves to further delegate power and propel the enterprise toward the market. Thus the parties involved call on the government to:

Bestow decision-making authority on the enterprise as soon as possible, including personnel power and the power to make investment decisions, distribute wages and profits, conduct foreign trade, and set prices. At the present stage, the least the government should do is to give enterprises in the basic energy industry that are losing large sums of money the power to sell some of their output on their own.

[10 Jul 92 p 1]

[Text] Rolling back command planning and increasing the proportion of self-marketed output is an important reform measure taken by the State Council to enhance enterprise vitality and propel the enterprise toward the market. In our study on eight key enterprises including the Nanyang Oil Field and Luoyang Copper Processing Plant, we discovered that enterprises have reacted differently to such a step. Among enterprises in the basic energy industry, there is a widespread demand for less command planning. Most nonferrous metallurgical processing enterprises, on the other hand, would like to see more command planning.

Let us take a look at the basic energy industry first.

In 1991 the shares of command planning in the five energy enterprises were as follows: Zhongyuan and Henan Oil Fields, 100 percent each; the provincial power

bureau, 99 percent; Yima Mining Bureau, 92 percent; and Pingdingshan Mining Bureau, 88 percent. In the past few years, power enterprises and coal mines have been allowed to sell a greater percentage of their output on their own, but the rate of increase has been painfully slow. Meanwhile, petroleum enterprises have been locked out of self-marketing altogether, a policy that has never been eased throughout these decades.

Petroleum, coal, and electric products are highly centralized products. The national economy requires that a certain degree of command planning be imposed on energy enterprises. However, excessive command planning is already strangling such enterprises.

First of all, price reform has passed them by. There is a wide gap between the prices of energy products within the plan and without. Even within the plan, prices and costs are out of step with one another. For turning out every ton of coal in the plan, an enterprise stands to lose 15 yuan; and for every ton of crude oil in the plan, 50 yuan. This explains why Zhongyuan Oil Field, Henan Oil Field, and Yima Mining Bureau are saddled with losses totalling hundreds of millions of yuan.

Second, raw and supplementary materials in the plan are not being made available. In the petroleum, coal, and power enterprises, where command planning ranges anywhere from 90 to 100 percent, only about 70 percent of the raw and supplementary materials allocated in the plan are actually made available. There is a common complaint among enterprises: "What is allocated is not ordered, what is ordered is not delivered." Take Pingdingshan Mining Bureau, for instance. In 1991, 53,978 tons of steel and 19,057 cubic meters of timber were ordered in accordance with the plan, but only 32,746 tons and 11,913 cubic meters were actually delivered. In both cases, deliveries fell short by over 30 percent.

It seems that the excessive emphasis on command planning has already become a major barrier to the entry of the energy industry into the market. People in the economic community believe price reform is inevitable for products of the coal, petroleum, and power industries. Considering that raising the prices of basic materials would set off a chain reaction, we should take a gradual approach. For starters, give some enterprises the power to set the prices of a portion of their output and sell it on their own so that they will be able to recoup their costs. Next, tackle the inequitable distribution of benefits between the production and circulation sectors and between the extractive and processing sectors so that over time we will be able to "determine the price level based on the average profit margin." For the moment, moreover, the command product plan should dovetail with the supply of raw materials allocated in the command plan. Work hard to integrate the plan with the market organically.

Now let us look at the nonferrous metallurgical processing enterprises.

A good example here is the Luoyang Copper Processing Plant. The plant has been rolling back command planning year after year and is able to sell a rising percentage of its output. Strangely enough, even though it is selling a higher portion of its output, its profit has dropped.

The problem lies with the raw materials. Price reform has been quite successful in the nonferrous and metallurgical processing industry in recent years; products inside and outside the plan now differ little in prices. In some cases, the former even exceed the latter. On the other hand, as far as raw materials are concerned, the dual-track pricing system still exists. Raw copper allocated by the state under the plan costs 600 yuan less per ton than the market price. As command planning was rolled back, the supply of raw materials allocated in the plan has also been cut. As a result, the Luoyang Copper Processing Plant saw its supply of low-priced raw copper reduced by 800 to 1000 tons. Meanwhile, it has to purchase a large quantity of high-priced raw copper. This is why its profit has dropped.

The situation at the Luoyang Copper Processing Plant spotlights a broad issue: At a time when reform is proceeding rapidly, the relations between planning and the market are ever-changing. Enterprises long used to economic planning are intellectually unprepared for the new survival environment and will need a period of adjustment as they gear themselves to the market. But one thing is clear: rolling back command planning, gradually raising the percentage of self-marketed output, and propelling the enterprise toward the market is now the dominant trend in economic structural reform. To retreat to a fully planned economy is no longer an option. Never again can the enterprise continue to "rely" on the government for "handouts." Today the only way out for large and mid-sized state enterprises is this: tap internal potential, put their own house in order, make the most of technology and equipment, plunge into market competition, and practice good and efficient management.

[11 Jul 92 p 1]

[Text] There are both external and internal reasons for the current devitalization afflicting enterprises. According to the study on eight key enterprises, including Zhengzhou Aluminum Plant and Yima Mining Bureau, there are indeed conditions within the enterprises that prevent them from bringing forth their vitality.

The most obvious sign is that at all eight enterprises nonproductive personnel account for 30 percent or so of all workers. When there are too many managers and redundant personnel, costs and expenses will inevitably be pushed up, resulting in waste and inefficiency. In 1991 the eight enterprises increased incomes and reduced spending to various degrees. Efforts at "double increases and double economies" yielded a high 170 million yuan. This shows that there is enormous potential in the enterprises waiting to be tapped.

As for income distribution, there is a marked tendency toward "protecting the two ends." So-called "two ends" refer to, one, taxes, and two, wages, bonuses, and all sorts of welfare benefits. To ensure these two ends, enterprises have consciously and otherwise put the squeeze on technological transformation and technical development. At each of the eight enterprises surveyed, wages and bonuses increased from 13 to 17 percent each year on the average in the past few years. Three enterprises, including Zhengzhou Aluminum Plant, invested merely 25 percent of all their after-tax retained profits in technological transformation and equipment modernization. This is probably one reason why enterprises resort to heavy borrowing to finance technological transformation.

Of limited funds devoted to equipment modernization and technological transformation, a considerable portion is spent to simply expand production capacity while little goes to the development of high-tech. This kind of extensive expanded reproduction not only costs money but also results in the duplication of construction projects and leads to structural production overcapacity. Right now processing enterprises like Wuyang Iron and Steel Plant and Luoyang Copper Processing Plant are operating at just 50 percent capacity on the average and under 70 percent at best. Even at a time when raw materials are acutely short and they are operating in a state of "hunger," these enterprises still devote a high 70 percent of their investment in technological transformation to increasing output, but less than 15 percent to measures that would reduce energy and material consumption and improve product quality. Luoyang Copper Processing Plant, China's largest maker of copper exports, already accounts for one-quarter of Hong Kong's copper market. However, inferior packaging and other problems have depressed its prices. If it invests wisely in this area, it would certainly pay off handsomely, yielding a higher return than increasing output.

For years large- and mid-sized state enterprises have existed under the protective wing of the state, at the same time constrained by command planning and output targets, so the notion of dependency is deeply ingrained in them. Now that they have suddenly been hurled into the boundless ocean of market competition, they are inevitably somewhat panicky, not sure what to do. In this situation, what the enterprise must first do is to learn to swim, that is, adjust to the market. One universal truth applies to all enterprises in the study: Those that have highly popular products demand more operational deregulation, while those which are stuck with large inventories want the state to purchase them. In a nutshell, they want both high-priced products and low-priced raw materials too. How should the state and the market respond to these enterprises' outstretched hands? The answer is clear: "Do not continue to wait and see any longer. Only the enterprise can revitalize itself. Do not expect others to make investment for free."

The experts hope that the enterprises would take these three steps to successfully overhaul their operating mechanism:

First, liberate thinking and enhance their sense of competition and awareness of a commodity economy. Never mind that the 12 preferential policies have not yet solved the problems. If we study them in earnest and put them to use fully and flexibly, there will be a way out. Many enterprises have made adjustments and worked themselves out of a quandary into more promising territory.

Second, swim with the tide and join the ranks of reform without delay by experimenting boldly with the shareholding system, the hiring system, and self-management. Now that they are no longer enslaved to output targets, enterprises could pay more attention to long-term interests. Never again should they re-enact the tragedy of acting myopically.

Third, introduce from abroad advanced management techniques. Adopt modern management tools. Seek efficiency from management. Improve themselves by tapping potential and increasing revenues.

Since enterprises vary in myriad ways, nobody can prescribe a miracle cure for all ills. But there are already many success stories. Every large- and mid-sized enterprise should be full of hope.

#### Chen Bangzhu on Economic Development, Opening Up

92CE0620A Changsha HUNAN RIBAO in Chinese  
13 Jul 92 p 1

[Article by Huang Qiufu (7806 3808 1381), Tao Xiao'ai (7118 1420 1947), and Zhou Yongling (0719 3057 7881): "Chen Bangzhu and Other Provincial Government Leaders Look Into Actual Situation, Make Suggestions, and Set Forth Policies To Develop the Economy"]

[Text] To earnestly implement the spirit of the major address delivered by comrade Deng Xiaoping during his southern tour, as well as the specific arrangements by the working meeting of the provincial party committee, and to urge the Yueyang and Changsha Cities to take the lead by making breakthroughs in reform and opening up, and surpassing the usual development in economic construction, Chen Bangzhu (7115 6721 2691), Shen Ruiting (3088 3843 1656), Wang Xiaofeng (3076 0876 7364), Chu Bo (0328 3134), and other provincial party and government leaders, led a group of more than 60 cadres who are responsible for units directly under the provincial government, to the two cities for on-the-spot work on 6 and 7 July, and on 10 and 11 July, so as to hear about the situation, look over the scene, provide policies, and exchange ideas to promote development of the "five district corridor," and speed up the formation of the strategic pattern of reform and opening up in Hunan.

Recently, the central government decided to include Yueyang among the five open cities on the banks of the

Changjiang River, and also specified that Changsha, as the capitol of an inland province, could implement the policies relating to open cities on the coast so far as attracting foreign investment is concerned. The speed of economic development, and the economic situation, in the two cities of Changsha and Yueyang will be of decisive importance to the whole province. For this reason, the provincial party committee and the provincial government decided to make Yueyang City the head, and Changsha the heart, of construction in the "five district corridor." The first thing to do in the opening up and development of the whole province, is to focus on Yueyang and Changsha as the main point, and also establish economic leadership development teams for the two cities. As soon as the provincial party committee completed its working meeting, the provincial government organized this on-the-spot public business meeting to make plans and devise policies for speeding up reform and opening up in the two cities.

During the on-site work at the two cities of Yueyang and Changsha, the group traveling with Chen Bangzhu made separate, in-depth, on-the-spot inspections at the Chelingjingji Economic and Technological Development Zone, the China Dragon-Boat Cultural Development Zone, the Yueyang Pagoda Lakeside Overall Development Zone, the Lakeshore Food Processing Development Zone, and the Color Picture Tube Works of the Changsha Morning Light Electron Tube Factory, the construction site of the Export Tobacco Workshop of the Changsha Cigarette Factory, and the construction site of the Changsha High-Technology Industrial Development Zone. They also heard reports from responsible people in the two cities on strategies for carrying out opening up and economic development in the two cities. Later on, they called meetings on special topics, heard opinions from all sides, and earnestly studied the questions of how the two cities should seize opportunities, accelerate reform and opening up, and speed up economic development. Responsible comrades at provincial departments were eager to speak. They not only discussed their intentions to devolve authority, but also actively set forth ways and means. The deputy provincial governors, Wang Xiaofeng and Chu Bo, as representatives of the provincial government, made statements on special topics at Changsha and Yueyang respectively, where they brought out a series of important reform measures. Chen Bangzhu, Shen Ruiting, and others, made important speeches.

To accelerate opening up and development in Yueyang and Changsha, it was decided at the business meeting to devolve provincial level powers of economic management down to the two cities. Yueyang and Changsha were given manifold powers and policy options in the six areas of investment in fixed assets; the external economy, foreign trade, external matters, finance, taxes, currency, prices, administration and management of industry and commerce, land use and economic construction in the cities. It was made clear in the regulations that the two cities can pursue their own balanced basic development in the areas of finance, construction,

and production, and enjoy provincial level approval authority in matters of technical transformation, and other items of investment in fixed assets. The two cities can, on their own, review and approve foreign investments of \$30 million or less. The cities have authority to review and approve exports of commodities regulated by the province. The two cities were given province-level authority to review and approve trips overseas for such purposes as observation and study related to economics and trade, technical exchanges, training, etc. They were also granted a limited right to invite foreign visitors. Their powers to administer taxes was expanded appropriately. They have province-level authority to make controlled purchases of commodities, to review and approve price changes, etc. Moreover, Yueyang can adopt, on its own, the special labor and wage policies for enterprises in development zones, which cover linking of pay and productivity at enterprises, linking growth in the number of staff and workers to growth in production, and granting exemptions to the labor-utilization plan. Moreover, they can make these policies the basis for audits. At the business meeting, it was also decided to give major support to a number of major projects.

Provincial Governor Chen Bangzhu, in his principal speeches at two on-site business meetings, asked the two cities of Yueyang and Changsha to have a greater sense of responsibility and urgency about development, taking the lead and setting an example in reform and opening up and in economic development. They must further liberate their thinking, exchange old ideas for new, escape from the fetters of old traditional concepts and "leftism," seize opportunities, and get down to work. He stressed that they must make good, skillful, and measured use of the policy options that the central and provincial governments have given them, to effectively improve the construction of the human and physical environment, and to attract investment. Power must be devolved down to the grass-roots level, procedures must be simplified, the number of links must be reduced, fees and charges must be reduced, and gradually things should come to be done according to international practices. A fierce effort must be made to attract business, and bring in foreign capital and technology by every possible means.

Chen Bangzhu urged the departments under the provincial government to take a broad view of things, disregard their parochial interests, and sincerely help Changsha and Yueyang, and other places, to develop as quickly as possible. He asked superiors and subordinates to unite together, fighting with one heart and one mind to make Yueyang and Changsha into modern, open cities, and establish them as a showcase zone for the new system of the socialist market economy, and as an outwardly oriented, comprehensive economic development zone of technological leadership that will shine forth to the whole province, to China and to the world.

**Hunan Commentary on Developing Tertiary Industry**  
*92CE0620B Changsha HUNAN RIBAO in Chinese*  
*14 Jul 92 p 1*

[Commentary: "Speed Up the All-Round Development of Tertiary Industry"]

[Text] Whether or not the Hunan economy can quickly ascend to a new plateau will be decided, to a great degree, by development of the tertiary industry. This is absolutely not the old way of speaking, where whatever we're talking about at the moment is important. It is because tertiary industry definitely does have an important place in the Chinese economy. Summing up our work in recent years, we have progressed greatly in our awareness of the need to speed up industrial development, and to speed up the development of town and township enterprises. However, a rather large number of comrades still do not understand the degree of influence that development of tertiary industry has on the economy on a whole.

Tertiary industry is service industry in the broad sense. The level of tertiary industry is an important index for measuring the degree of development of modern industry. Based on China's situation, aside from agriculture which is primary industry, and manufacturing and construction which are secondary industry, all other departments belong to tertiary industry. Mainly, they include circulation departments, departments providing production and personal services, and departments providing services to raise the scientific and cultural level and the quality of the populace.

In tertiary industry, investments are small, results come quickly, social efficiency is good, and a large amount of our abundant urban and rural labor forces can be employed, ameliorating employment pressure. Tertiary industry is indispensable if primary and secondary industries are to become even more efficient. Also, the development of primary and secondary industries will stagnate if tertiary industry does not develop in a corresponding way. During reform and opening up, accelerating the all-around development of tertiary industry is actually a move to optimize our industrial structure. It is a prerequisite to improving the human and physical environment for opening up to the outside world. In many ways, developing tertiary industry and improving the investment environment are almost the same thing.

China's tertiary industry has been slow in developing. It is on a low level, whether in terms of the proportion of gross domestic product accounted for by tertiary industry, or in terms of the number of people employed. Again, tertiary industry in Hunan is at a somewhat lower level than the average for all of China. Therefore, in the great wave of this new round of economic construction, and reform and opening up, it is a mission of strategic importance that we seize the present favorable moment of opportunity, and raise tertiary industry to a new level.

If we want tertiary industry to develop quickly, and in every way, then we must certainly further liberate our thinking, we must be more courageous, we must have greater freedom of action, and we must have more pioneering spirit. We cannot make progress if we deliberate endlessly, and impose numberless regulations. The nation, the collectives, and individuals, should all work together, and we can also attract foreign capital. The basic lines of business that exercise the influence of leadership over the whole national economy are mainly run by the state, but we must also bring them into the mechanism of competition. We must, under unified planning and management, mobilize the economic capabilities of local government, provincial departments, and collectives, to start up new enterprises. We must insist on the principle that the investor is to be the owner, and receive the benefit. We cannot rely too much on investment by the state.

There is a problem here of how to tap the potential of society. At present, our organizations, enterprises, and institutions, are all performing services for themselves. For instance, transport vehicles, dining halls, bath houses, infirmaries, meeting halls, child care facilities, schools, guest houses, communication equipment, and copy machines, as well as existing information and consulting organizations, etc., all have great potential. All we have to do is change our attitudes, and we can turn these sealed-off, self-oriented service systems to the service of society without compromising security or safety at all.

We believe that, if leaders at various levels can just unite in their thinking, turn their conceptions around, broaden their minds, and show creativity during the rapid advance of this great wave of reform and opening up, then they certainly can, together with the numerous cadres and the masses, speed up the development of tertiary industry, advance the development of primary and secondary industry, and push the whole economy of Hunan on a new plateau.

**Hainan, Hunan Sign Economic Cooperation Accord**  
*OW1409195392 Beijing XINHUA in English*  
*1555 GMT 14 Sep 92*

[Text] Haikou, September 14 (XINHUA)—Leaders of Hainan and Hunan Provinces signed an agreement on economic cooperation here Sunday [13 September].

According to the agreement, the two provinces will set up a two square-kilometer Xianghai industrial town near Haikou City. The industrial town will develop export-oriented manufacturing industries.

The agreement said that Hunan will provide agricultural assistance to Hainan to develop quality farm products, including tropical cash crops, vegetables, fruits, fisheries and processing industries.

Hunan Province will also participate in real estate development of Hainan Province, including renovation of the existing towns of Haikou and Sanya Cities.

The agreement said that Hainan Province will enable Hunan Province to set up an investment or trust bank in Hainan Province.

The agreement also said that the two provinces will cooperate to develop international trade. Hainan Province will encourage Hunan to establish foreign-funded enterprises and trade agencies in Hainan while Hunan will support the latter in selecting a number of manufacturing enterprises as production centers of export goods.

The two provinces will also cooperate to develop tourist resources, including tourist spots, tour routes and tourist facilities and products, according to the agreement.

## FINANCE, BANKING

### Stock Market Opens to Institution Investors

*OW1409095692 Beijing XINHUA in English  
0901 GMT 14 Sep 92*

[Text] Beijing, September 14 (XINHUA)—Shares held by institution investors have recently been admitted into the young Chinese stock market, representing a new step by the country to establish a sound and comprehensive stock market.

The Beijing based securities trading automatic quotation system opened a special market, also the first of its kind in the country, for the floating of such stocks. About 50 million shares have changed hands since the market began its trial operation two months ago, according to the lastest issue of SECURITIES INVESTMENT, a weekly magazine run by the stock exchange Executive Council.

Shares issued by Chinese share-holding companies are usually owned by the state, institutions and individuals, with the proportion being 3:5:2 respectively.

However, it was not until recently that the shares traded in the two official stock markets in Shanghai and Shenzhen were individual shares exclusively.

At present, institution-held shares traded in the securities trading automatic system can only be floated among institution investors, foreign-funded firms are not included in the bracket for the time being though.

Securities experts with the system held that the floating of the institution-held shares will not only help increase the value of public property but also facilitate the flow of the capital to economically-efficient firms.

They pointed out that paying more attention to the performance of the share-issuing companies than most of individual share holders, the institution investors tend to be more cool-headed in handling stock transactions, thus making the market more stable and less speculative.

In Shanghai, the institution-held shares have been traded in the bourse along with individual shares. But market analysts with the stock exchange Executive Council under the State Commission for Restructuring the Economy said that as more stocks have become available to individual investors, "the entry of the fund-strong institution investors would to some extent pose a threat to small investors," cautioned Lin Wen, one of the analysts.

The Shenzhen stock exchange has reportedly worked out a plan for the floating of the institution-held shares.

"The institution-held shares should be floated, but what is the best way to ensure a sound transaction, conducive to the interests of the institution investors while protective of the individual share-holders, is a big challenge to the country's fledgling stock market," said Lin.

### French Bank To Expand Business

*HK1909060092 Beijing CHINA DAILY in English  
19 Sep 92 p 2*

[Report by staff reporter Qu Yingpu: "French Bank To Expand in China"]

[Text] A leading French bank is making bold moves to expand its business in China, CHINA DAILY learned yesterday. Rene Thomas, chairman of the Banque Nationale de Paris (BNP), will arrive in Beijing on October 11 for a week-long visit to explore business possibilities and meet top Chinese leaders in Beijing. His visit shows the bank's confidence in "the booming country," said Didier Lietaer, BNP's chief representative in Beijing.

The BNP chairman will also visit Tianjin, Shanghai and Guangzhou, Lietaer said.

BNP is expected to be the first European bank to launch a branch in Tianjin and open a joint bank—the International Bank of Paris and Shanghai—with the Industrial and Commercial Bank of China, Lietaer said. He said BNP has also applied to open another branch in Guangzhou.

Currently, BNP has only one branch in China, in South China's Shenzhen Special Economic Zone. It also has three representative offices, in Beijing, Guangzhou and Shanghai.

Lietaer said that, by establishing branches and joint banks in Tianjin, Guangzhou and Shanghai, BNP will expand its banking network in the northern, middle and southern parts of China.

BNP has maintained a long-standing relationship with China. Its first branch was opened in Shanghai in 1860. BNP was the first European bank to open an representative office in Beijing in 1980.

The bank has acted as arranger, lead manager, underwriter or participant in around 30 syndicated deals in

China, amounting to more than \$300 million. Its commitment to Chinese borrowers has increased by almost 50 percent in the last two years.

Lietaer said that, under China's Eighth Five-Year Plan (1991-95), BNP emphasizes energy, telecommunications, raw materials and transport projects.

The bank is the lead manager of a \$2.64 billion buyer's credit loan for the Daya Bay nuclear power station, \$41.7 million worth of loans for Sanya Airport in Hainan Province, and a \$35.6 million loan for Pingguo Aluminium Factory in Guangxi Zhuang Autonomous Region.

BNP is the arranger or co-arranger of financing in deals to import 11 aircraft, including six Airbuses and five Boeings, amounting to \$453 million.

It is providing debt financing and equity in the Guangzhou Peugeot Automobile Project, and with Citroen in one of China's largest automobile projects, which is worth \$1 billion.

The bank is also the lead underwriter for the \$800 million Hopewell-financed Guangzhou-Zhuhai-Shenzhen superhighway, and lead manager in the Asian Development Bank co-financing of the new Nanpu Bridge in Shanghai.

#### Views on Shenzhen's Security Investments

92CE0622A Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese  
No 26, 6 Jul 92 pp 30-31

[Article by Pan Jun (3382 1498): "My Views on the Participation of the Shenzhen Banking Industry in Securities Investment"]

[Text] Throughout the world, banking industries are frequent participants in securities investment. With the further intensification and expansion of reform liberalization, the Shenzhen banking industry ought to launch fully into this line of business.

#### The Scope and Development of Shenzhen Capital Markets

By 1991, 119 enterprises in Shenzhen were operating under the share ownership system, having raised, through stock offerings, a total of 3.3 billion yuan (in renminbi, which is the unit used throughout this article). The 15 varieties of publicly issued stock traded on the market now have a total market value of 50 billion yuan, roughly 5 percent of the total value of stock on the Hong Kong market. The daily trading volume now totals 300 million yuan, roughly 10 percent of the volume traded daily on the Hong Kong market.

By the year 2000, the number of enterprises in Shenzhen operating under the stock ownership system will increase to 1,000, there will be 100 varieties of publicly issued stock traded on the market, 15 billion yuan, or 3 billion

dollars, will have been raised through the stock offerings, and if we add the capital raised through secondary offerings of existing stock, the amounts raised could total several tens of billions of yuan. By that time, the total value of stocks on the Shenzhen market will reach 500 billion yuan, and if we add the outside enterprises that will have listed their stocks on the Shenzhen market, the total value will equal or exceed the current value of all stocks on the Hong Kong exchange. In addition, by the year 2000, a total of 3 billion yuan in bonds will have been issued in Shenzhen, and the development of bond trading will have been greatly promoted. The direction of this development will be, on the one hand, for Shenzhen bonds to be traded nationwide, and on the other hand, for bonds from all areas of the nation to find a trading home in Shenzhen. To date, 270 billion yuan worth of bonds have been sold in China, with several tens of billions yuan worth of bonds having been issued and traded in 1991 alone. Banking industries in provinces and cities throughout China have shown considerable interest in dealing and investing in bonds, and today, they show an even greater interest in dealing and investing in Shenzhen-based stocks and bonds. This will become a major force in the development of the Shenzhen capital market, propelling the Shenzhen banking industry toward participation in stocks and bonds.

Shenzhen's capital market is one among many nationwide. Yet, it is one of the more advanced markets. Shenzhen capital has enjoyed a several-fold annual increase, reaching in excess of 100 billion Hong Kong dollars. The Hong Kong banking industry has held a fairly low proportion of securities in its total asset portfolio—first, because the government has not been a bond issuer and because the issues and trading in other bonds has been on a fairly low scale; second, because of fairly heavy influence from outside political and economic forces; and third, because there has been a shortage of available industrial stock issued by corporations engaged in large-scale undertakings backed by strong capacities for technological development. However, with China's continued reform liberalization, and with the development of capital markets in both China and Hong Kong, the Hong Kong banking industry may very well catch on quickly to the benefits of securities investments and the banks concerned may very well augment their proportional holdings of securities in a big way.

In addition to capital market development, high speed economic development and soaring increases in enterprise profits also present opportunities that make the participation of the Shenzhen banking industry in securities investment a wise choice. The Shenzhen capital market will lure scores of stock and bond issuing blue-chip enterprises from both Shenzhen and around the country. Looking at the Shenzhen enterprises that have already publicly issued stock, we see that they all adhere to the government's industrial policy, they all are in line with Shenzhen's economic development, and moreover, they all enjoy a fairly strong capacity to emerge onto

international markets. Not only have these enterprises already secured notable business successes, they also enjoy logically sound positions and are worthwhile investments even for investors in other parts of the world. The current profit rate of preferred stock on the Shenzhen market is nearly 60 percent, several points higher than the rate for regular stock on the Hong Kong market. To a certain extent, this illustrates both the confidence that investors outside of Shenzhen have in Shenzhen's economic development and their high regard for Shenzhen's enterprise system and stock market. The international banking industry has already come to play a prominent role in the development of the Shenzhen capital market, subscribing to incipient issues of preferred Shenzhen stock while noting that the solid and celebrated World Bank is funding the enterprises with loans. As a supporter and participant in the development of the Shenzhen capital market, the Shenzhen banking industry ought to take firm hold of the opportunity presented and secure successes by actively entering and competing in securities investment.

#### **A Major Item of Business in Banking Reform Liberalization**

Participation in securities investment is also a major item of business, with far-reaching significance, in banking reform liberalization.

1. It promotes adjustment in banking industry capital portfolios. Currently, most of the capital operations in the Shenzhen banking industry involve loans, with less than 1 percent of the portfolios, or close to nothing, accounted for by stocks and bonds. This does nothing to promote development in the capital markets of Shenzhen and the nation as a whole or to expand financial capital, nor does it accord with operational development and innovation in the international banking industry. After drawing up progressive capital risk management guidelines, the Shenzhen banking industry must alter its traditional operations and capital portfolios and re-work the relationships between capital, debts, and assets based upon the actual capacities of the banks concerned, so as to achieve better economic efficiency. Shenzhen banks currently have large deposits, and if the appropriate increases in securities investment are made, then not only can their capital portfolios be adjusted, but their capital will enjoy a lower degree of risk and profits from operational capital can be increased.

2. It promotes cooperation between banks and enterprises. The international banking industry commonly exerts direct influence on enterprise decision-making and supervises the enterprises by means of its stock participation and control. This can be done in Shenzhen too. For example, the Shenzhen development bank has subscribed to publicly issued enterprise stocks since 1989. It has become a major stockholder that the enterprises love to have. Subsequently, in 1991, more banks subscribed to incipient secondary stock offerings made by enterprises already on the market. As major stockholders, the banks can increase their understanding of

the management and operations of the enterprises they hold stock in, and when the enterprises launch into business areas that the banks cannot directly operate in, the banks can support the enterprises through such means as extending loans.

3. It promotes increased bank profits. Although the Shenzhen banking industry has not invested heavily in stocks and bonds, the returns from such investments have been lucrative. For example, in 1991 certain banks subscribed to bond issues or bought into stock that was attractively priced, and all enjoyed several times appreciation, while some even saw their value increase 10-fold or more. This caused quite an arousal in a banking industry accustomed to making money the old-fashioned way—through loan interest collections that exceed the interest paid on deposits. As reform liberalization intensifies, banks should not only strive to earn average profits, but they should strive to earn phenomenal profits. Banks should really gear up for phenomenal profits in the capital markets. Buying stock at low prices can be a long-term investment strategy for banks that will earn them a high rate of return on their capital, or the banks can dump a large block of their low-priced stock and make a tidy profit in one swoop. The Shenzhen banking industry has also been involved in certain bond investments where the profit rates were higher than those offered in the deposit and loan areas, the risks were lower than those in the lending area, and a high degree of flexibility was obtained. Based on current market estimates, the rate of return on some of those bonds is in the double digits, providing a profit rate several times higher than that which might have come from a fixed rate investment.

#### **How the Banking Industry Should Go About Investing in Securities**

Members of the Shenzhen banking industry looking to invest in stocks and bonds today must do so through subordinate investment agencies, using only finance capital. In the short-term, this guideline will have no effect on the development of the stock and bond investment operations of Shenzhen banks, while it could even have a stabilizing effect. However, in the long-run, Shenzhen banks should set up in-house investment departments and invest fairly large amounts of funds in low-risk bonds and the like. In the current phase, the stock and bond investment operations of Shenzhen banks should be active and prudent.

1. Underwriting and subscribing to bonds. By 1991, several hundred million yuan worth of bonds had been issued on the Shenzhen capital market, with the bulk of them issued through underwriters. Not only has the Shenzhen banking industry taken on the lion's share of the bond issuing work, but it has also seized upon the opportunity to subscribe to the bond issues of certain enterprises. Although the interest rates of current bond issues are somewhat lower than one or two years ago, deposit-heavy banks can seize upon the opportunity to purchase these bonds and either treat them as long-term

investments, or when the money market tightens up, they can sell off large blocks in anticipation of higher interest rates to be offered. As Shenzhen's reform liberalization proceeds, the Shenzhen banking industry will find itself holding large amounts of deposits. Investing a good portion of these deposits in the rapidly developing bond markets of Shenzhen and throughout China can be a prudent, yet lucrative, business.

2. Underwriting and subscribing to stocks. Since 1991, securities agencies subordinate to the Shenzhen banking industry have underwritten over one billion yuan in secondary- and first-issue enterprise stock, and investing agencies working for the Shenzhen banking industry have subscribed to certain incipient stock issues. Henceforth, the Shenzhen capital market will be bursting with new stocks, and not only should the banking industry seize the opportunity to underwrite these new stocks, but it should actively subscribe to them, as well. Moreover, the industry can gain subscriptions to incipient issues or to options by extending loans, participating in the stock, and the like.

3. Participating in stock and bond trading. The opportunities presented by stock and bond trading are enticing, but they require action. Banks can make a long-term strategy of investing in certain stocks and bonds that can be sold off if necessitated by changes in such areas as funds or interest rates. Also, if fund or interest rate conditions require it, banks may need to buy and sell certain stocks and bonds to achieve a rational capital portfolio or earn a handsome profit. For example, in 1991, Shenzhen stocks were fairly low-priced, and some banks bought in to support the market. Their stocks have now appreciated several times, with some having seen increases of 10 times or more. In fact, with the average market profitability rate under 10 times cost, and with enterprise yearly profit growth in the double digits while some surpass 100 percent, even if banks are not motivated by supporting the stock market, they can still buy a bit more than they have. However, opportunities like this do not come twice—banks will have to raise their investment awareness and research to seize the opportunity. As for bonds, because Shenzhen has only small scale bond trading, banks are not really in a position to get involved. Some banks do buy bonds to satisfy the trading desires of customers, while other banks have participated in the unified nationwide bond trading. As the bond markets in Shenzhen and throughout China develop, the Shenzhen banking industry should actively participate. Bond trading is a fairly low-risk endeavor that can be participated in on a large scale. Banks that participate in bond trading can strengthen their ability to fulfill the Central Bank's currency policy.

## TRANSPORTATION

### Civil Aviation Developing Rapidly in Eastern Region

OW2309025492 Beijing XINHUA in English  
0159 GMT 23 Sep 92

[Text] Shanghai, September 23 (XINHUA)—The development of civil aviation in east China has entered a new

stage as a number of local airports and aviation companies were built over the past few years.

In these years, about 23 airports have become operational in the region which has a high concentration of the country's civil airports.

In the first half of this year, the number of tourists handled at the airports increased by 30 percent over the same period last year.

Three local aviation companies have been set up recently, which include Shanghai Airlines, Xiamen Airlines and Jiangnan Airlines.

Moreover, the Civil Aviation Administration of China has approved moves to set up new airlines in east China's Shandong and Fujian Provinces and Nanjing City, which is the capital city of Jiangsu Province.

China Eastern Airlines also has three branches in Shandong, Jiangxi and Anhui Provinces and it has joined hands with the provincial government of Zhejiang to set up the Zhejiang Air Company.

In the meantime, construction of civil airports in capital cities of the provinces in east China has been speeded up.

## AGRICULTURE

### Corporation Imports Seeds To Increase Grain Exports

HK2109045292 Beijing CHINA DAILY in English  
21 Sep 92 p 2

[By staff reporter Wu Yunhe: "Seed Imports Make Grain Exports Grow"]

[Text] China is starting to import seeds to grow grain for export.

It is believed to be an efficient way to earn more foreign exchange for farmers.

The China National Seed Corporation, the main official agent specializing in seed production and trade in the country, has imported tons of seed, mainly cash crops, to grow them—using the latest hybridization technology—for export, said an official with the corporation.

The company now plans to widen its market and extend its business from exporting fruit and vegetables to grain.

The business is tailoring its operation to meet the requirements of the world market, because excessive production of fruit and vegetables last year caused sluggish sales of such foodstuff, he said.

The business will mirror that of industrial processing, in that raw materials are being imported and then more valuable products exported, earning China more foreign currency.

"American and Japanese companies are now the biggest co-operative partners," the official added.

Last year the business enjoyed a sharp rise in earnings and the amount of seed China imported for the programme was triple that of 1985. However, earnings begin to decrease this year due to a fall off in demand for such products, said the official, who refused to disclose detailed figures.

Competition has also intensified due to the fact developing countries in Asia and South America have begun to import seeds to grow crops for export and some domestic firms are also struggling to squeeze into the world market using the same strategy.

In order to enjoy a wide share of the world market, the corporation is trying to grow imported seeds for export all year round taking advantage of the country's geography.

It is also making efforts to widen the range of imported seeds and attract more foreign partners by improving product quality and cutting production costs, he said.

More than 90 percent of the imported seeds were vegetable varieties last year, including tomatoes, peppers, potatoes and watermelon seeds.

The business, which began in 1979, has so far involved the importing of more than 200 kinds of seeds. The corporation currently deals with more than 13 foreign countries.

At present, the corporation's 1,000 technicians are engaged in the growing of the imported seeds for re-export in more than 100 counties of 14 provinces across China.

#### **Scientific Groups Help Rural Areas Attain Wealth**

OW1809103192 Beijing XINHUA in English  
1008 GMT 18 Sep 92

[Text] Beijing, September 18 (XINHUA)—A national conference on rural trade and farming associations is scheduled for next week in Beijing to exchange experiences for the further development of the rural economy.

Sprouting in 1980, these nongovernmental organizations on specialized trades and agriculture have expanded to 120,000.

Such rural associations cover over 140 fields, including growing crops, animal husbandry and service in trades and industrial production.

Up to now, more than 4.5 million rural households in China have joined the associations to get scientific assistance, thus increasing production and earning more money.

Officials from the China's Science and Technology Association disclosed that Sichuan, Shandong and Heilongjiang Provinces are among the areas with the

fastest development in rural associations, with the number in each exceeding 10,000.

Officials said the associations have made headway in China's tide of agricultural reform.

To meet increasing demand following a rapid economic development in rural areas, the associations have expanded their businesses.

The historically poor and lagging regions saw the popularity of such associations which have offered assistance to help local people cast off poverty.

Thirty trans-regional complexes have sprung up on the basis of such organizations across the country.

The rural associations are playing an important role in promoting local township industries.

#### **Heilongjiang Crop Area, Livestock Output Reported**

92CE0678A Harbin HEILONGJIANG JINGJI BAO  
in Chinese 30 Jul 92 p 2

[Article: "Outlook Remains Good for Coordinated Development of Rural Economy; Farm, Sideline Products Hard To Sell in Heilongjiang"]

#### **[Text] 1. Good Outlook To Develop Agricultural Output**

The crop area this year is close to the actual sown area last year. The actual sown area in Heilongjiang is 127.519 million mu, down 2 percent from the plan and from last year's actual sown area. The area sown to grain, soybean and potato is 110.89 million mu, down 2.1 percent from 1991. The area sown to high yield and high-priced crops has increased. The area sown to paddy rice is up from last year's 12.15 million mu to 12.79 million mu; and that to soybean up from 30.77 million in the previous year to 12.79 million, showing net increases of 640,000 mu and 1.287 million mu, or 5.2 percent and 4.1 percent respectively. The decrease in crop area is mainly caused by limiting factors such as natural disasters and market readjustments. The actual sown area of the farms under the administration of the General Bureau for State Farms alone was reduced by 2.7 million mu over 1991 because of spring waterlogging.

With regard to the growth of seedlings in 73 counties and cities (districts), there are 44 counties and cities (districts) with more than 70 percent first-grade seedlings, accounting for 60.2 percent of the 73 counties and cities, about the same as last year. The number of counties and cities (districts) with a distinctly higher percentage of first-grade seedlings increased by 23. There are 22 counties and cities (districts) with more than 10 percent third-grade seedlings, six more than last year. Those counties and cities where seedlings are not growing well are mainly located in remote areas and mountainous or hilly districts. As for the growth of seedlings in 12 major grain-growing counties, nine of them have more first-grade seedlings than last year with the exception that

there are slightly less first-grade seedlings in Zhaozhou, Bayan and Hulan Counties. Among the aforementioned nine counties and cities, more than 90 percent of the seedlings in Zhaodong, Shuangcheng and Wuchang are of first grade.

The temperature in most areas of the province has been high since July, which has made all the crops grow faster and brought about tremendous changes to the growth of seedlings.

According to an analysis on farm products, Heilongjiang reaped a bumper harvest of 49.331 million mu of crops, accounting for 44 percent of the area sown to grain, soybean and potato, overfulfilling the original target by nine million mu; and 12.294 million mu of farmland is contracted out to various farming groups, accounting for 11 percent of the total area. Applied farming technology is used on more land. Wheat sowing by machinery is used on 20.876 million mu of farmland, and continuous cropping used on 17.78 million mu, up 5 percent and 15 percent respectively over last year. Soybean dibblers are extensively used on 24.746 million mu of farmland and sparse seeding of paddy rice is carried out on 9.43 million mu of dry land, up 24 percent and 22 percent respectively over 1991. Soybean ridge planting is carried out on 4.17 million mu and transplanting of corn seedlings conducted on 3.171 million mu of farmland, up 340 percent and 400 percent respectively over 1991. Formulated fertilizer is applied on 30.765 million mu of farmland; micro-nutrient fertilizer is used on 13.644 million mu of farmland; and sugar seedlings are cultivated in paper rolls on 961,000 mu of farmland, showing significant growth as compared with the previous year.

## 2. Gratifying Trend in Developing Animal Husbandry

The number of livestock and the output of animal by-products are on the increase. The number of dairy cows is expected to reach 672,000 by the end of June, an increase of 15 percent; cattle 2.112 million, an increase of 10 percent; sheep 3.413 million, an increase of 40 percent; hogs 7.95 million, an increase of 5.9 percent; and poultry 96.6 million, an increase of 5 percent compared to the same period last year. The number of cattle slaughtered is expected to reach 300,000 head, an increase of 30 percent; sheep slaughtered 635,000 head, an increase of 25 percent; pigs slaughtered 2.733 million head, an increase of 22 percent; and poultry slaughtered 37.632 million, an increase of 26 percent compared with the same period last year. The total output of meat is expected to reach 327,000 tons, eggs 200,000 tons, and milk 600,000 tons, up 24 percent, 7 percent and 20 percent respectively.

## 3. Higher Speed in Developing Township Enterprises

By the end of May, the total output value of the township enterprises in the province reached 7.76 billion yuan, their total revenues amounted to 6.76 billion yuan, their profits totaled 440 million yuan, and the taxes paid to the state treasury reached 186 million yuan. The output

value of township-run collective industries was 1.38 billion yuan, up 17.7 percent; and village-run industries 1.01 billion yuan, an increase of 18.5 percent. Various localities have also seized the opportunity to accelerate reform and opening up to expand business abroad. There is a trend to sell more products abroad and export labor to foreign countries. Now, there are dozens of export products manufactured by township enterprises in Heilongjiang. More than 100 new varieties of export products have been added this year. Many cities and counties have organized nearly 10,000 peasants to work in the Commonwealth of Independent States, South Korea and other countries in the form of labor export.

## 4. Balanced Development in Other Trades

Fishery continues to develop rapidly. According to preliminary figures, the area for fishing nurseries has expanded to 3 million mu from 2.96 million mu in the previous year. The area of paddy rice fields used for raising fish has increased to 600,000 mu, up 230,000 mu or 62.2 percent as compared with the previous year. The province has planted 3.29 million mu of trees, overfulfilling its afforestation plan by 9.7 percent, of which state forest farms have planted 1.013 million mu of trees, overfulfilling its afforestation plan by 40 percent; and the masses have planted 1.446 million mu of trees, overfulfilling their afforestation plan by 7.9 percent. The province has grown 151,000 mu of saplings, fulfilling its original sapling-growing plan by 14 percent. More space has been used to build gardens on a large scale, and more fruit trees have been planted.

During the first six months, all sectors of the rural economy in the province developed in a coordinated manner. However, if we look at the agricultural production cycle as a whole, the retarded growth of seedlings in the earlier stage, the postponement of summer field management and natural disasters such as winter injuries, hailstorms and torrential rainfalls in some areas have made it difficult to develop agricultural production in the province. Meanwhile, the sale of farm and sideline products and commodity circulation remain sluggish. We need to earnestly study and solve these problems.

## Qinghai Agricultural S&T Program Accrues Benefits

92CE0637A Xining QINGHAI JINGJI BAO in Chinese  
13 Jul 92 pp 2-3

[Excerpts] Since 1985, based on the state plan on major agricultural technology development projects formulated by the former state economic committee, and starting from Qinghai's actual agricultural and livestock conditions, the province's finance and economic committee has closely coordinated production, stressed key areas and given priority to selecting 20 key projects for technology development and expanded use with low investment, quick results, high efficiency and broad application. State funds of 1.48 million yuan were invested, and by the end of 1991, 19 projects were

completed, reaping economic benefits of about 65 million yuan, and at the same time achieving clear social and ecological benefits.

**1. Develop comprehensive technology that increases total per unit area yield of grain.**

Qinghai has 5.99 million mu of cultivated dryland, which accounts for 70.8 percent of the total cultivated land in the province. Determining how to attain high yield and strive for bumper harvests is an important way to take care of Qinghai's grain self-sufficiency. To this end, "developing technology for dryland agricultural cultivation and promoting the broader use of coordinated technology for shallow agriculture in drylands" have been ranked as the key project for developing and spreading technology, because the province's main center for agricultural technology promotion and the province's Agriculture and Forestry Institute have led the way and cooperated with concerned departments to develop and compile comprehensive measures on coordinated technological systems. Comprehensive technology systems for dryland agriculture consist mainly of: the foundation—preserving soil moisture and increasing the rate of precipitation storage; the key—increasing application of organic fertilizer and increasing soil fertility so that the fertilizer is properly combined with water; and the guarantee—selecting superior varieties and improving cultivation technology. In different regions, a great many testing and verification demonstrations were carried out, which produced two sets of cultivation technology standards for wheat, the major crop, in low-level and mid- to high-level hills. Through a large-scale, 5.28 million mu demonstration expansion, each mu increased production by an average of 64 kilograms; when it was expanded to 10 million mu, each mu increased production by an average of 24 kilograms, and the total grain production increased by 21 million kilograms. At the same time, in different regions, a group of superior crop and tree varieties suitable for local growing was selected.

**2. Improve cattle and yaks, make lean-meat pigs a priority in livestock breeding, and develop and spread the use of poultry and livestock breeding technology.**

Qinghai has a great number of indigenous cattle and yaks, but output is low. Therefore, it was necessary for cattle and yaks in agricultural regions, half-agriculture-half-grazing regions, and regions with relatively good grazing conditions to be improved through cross-breeding with Ximenta'er, black-and-white and multicolored bulls brought in from the outside. This project was a joint undertaking, with the province's semen freezing station leading the improved regions. In three years, 920,000 head of cattle and yaks were improved through cross-breeding, greatly increasing the cross-bred cattle's growth rate, milk production, meat production and work capacity. According to calculations, the F2 generation of black x yellow and the F2 generation of Ximenta'er x yellow surpassed the lactation period of the indigenous cattle breed by 63 and 45

days, respectively, and increased milk production by 97.2 percent and 51.25 percent, an average increase of about 500 kilograms over the indigenous cattle. Under similar breeding conditions, the meat production of cross-bred cattle on the average exceeded that of indigenous cattle. Among them was the F2 generation of black x yellow bullocks, whose daily weight increase was as high as 748.5 grams.

As the standard of living among urban and rural residents has increased and consumption patterns have changed, the demand for lean pork has increased steadily. As a result, based on the results in the development of lean-type pork through the second and third rounds of cross-breeding lean-type pigs brought into Qinghai with indigenous sows, the "development of production technology for lean-type commodity pork" was made a major technology development project. With the provincial Livestock Science Institute leading the way, the provincial Livestock Veterinary Promotion Center, Xining City and livestock veterinary stations in Datong, Huzhu and other counties cooperated to make the Xining suburban district and the seven counties of the eastern agricultural district into development demonstration regions. The technology cooperation group established there set up 77 pig artificial insemination stations during four years of development, artificially inseminating a total of 18,206 sows, accounting for 66 percent of the total eligible sows in the demonstration regions' experiment. The fattening period of under 10 months for lean-type pigs is about two months shorter than the typical rearing period for pigs, with a body weight of 60 to 70 kilograms and more than 54 percent lean meat, an increase in the lean meat proportion of 8 percentage points; the ratio of feed to meat was 3.29:1 to 3.68:1, an average savings of 0.5 kilograms of feed per kilo of meat. In the development demonstration region, the rate of removal of hogs from stock increased by 18 percentage points; in four years, the total amount of commodity lean-type pigs to reach the market was 164,000 head, each head yielding more than 55 yuan in profit.

In recent years, because of actions organized and implemented by municipal animal husbandry offices, the project on "livestock and poultry raising technology using plastic warming pens" has been widely spread in the eastern agricultural region. Production comparisons have shown that using plastic warming pens to fatten pigs increases the daily weight gain by about 270 grams compared to simple open pig pens. Sows increased their offspring by one litter every two years, and the survival rate of piglets increased 33 to 35 percent. Egg-laying chickens increased their rate of egg production by 13.4 to 27.7 percent. This technology is easy to master, requires little investment, yields quick results, and has been well-accepted by the people.

The provincial association and the Xining Associated Meat Factory jointly undertook the project on "technology for quick fattening of pigs awaiting slaughter," and used "breed, feed, prevention and pens" as the key

short-term measures for quick fattening, thereby increasing the weight by 667 grams daily, with a 4.1 to 1 feed-to-meat ratio and a lean meat proportion of 53.35 percent. Among the other projects that the provincial livestock office organized are: In Pingan, Ledu and other areas, breeding 400,000 superior quality egg-laying chickens; in the Hainan region and Huangyuan County, spreading "seasonal fattening technology for commodity meat livestock (beef, lamb)"; in Haiyan and other counties, spreading "comprehensive preventive technology for newborn lamb diarrhea"; and so forth. After these projects were completed, they brought about relatively good economic and social benefits and promoted the development of the livestock industry. [passage omitted]

#### Experiences and lessons after implementing the projects:

1. The attention and support of leaders at all levels of the party and government was the key to ensuring the smooth implementation of the technology development projects.

Leadership at all levels in agriculture is the foundation of the national economy. The understanding of this has continually increased, and agricultural livestock departments at all levels have diligently carried out the policy of "unstinting grain production and active development of many types of management" and emphasizing superior quality breeds and advanced raising of livestock, and the work of developing and spreading breeding technology. Many departments and tens of thousands of households have been involved in spreading livestock technology, and the task of organizing them has been very large. Party and government leaders from many areas personally convened meetings specifically to implement strategy. For some projects, responsible departments at the provincial, regional, county and prefecture levels established leading small groups or technology cooperation groups, with responsible comrades taking on the role of group leader. They went through many channels to raise funds, and the investment funds eventually exceeded the special projects funds allocated by the state by a few times. For example, for the projects on "developing cultivation technology for dryland agriculture" and "spreading the use of coordinated technology for dryland agriculture," all levels of government raised funds and invested goods and materials.

2. Implement a contract system and strengthen management.

Responsible departments at all levels, in regard to projects in their own regions and work units, strictly upheld their standards from the outset, through implementation and inspection, and strengthened organizational coordination of personnel and materials, ensuring the smooth implementation of the projects. Each project carried out its management through contract-signing at every level. For example, the provincial Agricultural Science Institute, while carrying out the goals of the contract, also instituted a system of incentives and

penalties, organized timely grading and inspection in the projects, and ensured implementation of the contract.

3. Establishing project coordination groups is a good method for developing agricultural technology and spreading its use.

Among the prominent factors in developing agricultural technology and spreading its use are large areas, broad scope, large number of households, weighty and complex tasks and difficult working conditions. It is necessary to organize cooperative groups, fully mobilize the initiative of science and technology personnel in participating work units, and have everyone work in coordination to carry out all science and technology measures on all fronts. For example, projects to "develop technology for commodity lean-type pork," "develop plastic warming pen technology for breeding livestock and poultry," "develop dryland agricultural cultivation technology," "improve medium and low apple orchard technology" and so forth were all completed by coordination groups. The coordination groups had leading work units and participating work units, and each year one or two activities were organized. In the beginning of the year, the project tasks were planned for the county, prefecture, village and household levels. At the end of the year, a wrap-up meeting was held to exchange experiences, sum up, make evaluations and comparisons, and study and plan the next year's tasks. When there were good experiences, on-the-scene observations were held in a timely fashion to carry out exchange and popularization.

4. Establish experimental demonstration fields, select good demonstration households and fan out from point to area.

In spreading any new technology, it is necessary to go through experimental demonstrations and gradually open up from point to area. Without the example and experience of the point, there is no way to spread to a broader area, as in the oft-stated "the power of the example is limitless." For example, the cooperative group in the project to spread the use of dryland coordinated agriculture used experiments, models and spreading of methods to help radiate out into a broader area of influence, and used households (science and technology) to help households, households to lead villages and villages to spur prefectures, and with prefectures as the bases, spread and radiated on an even larger scale.

5. Strengthen technological training; promote, popularize and teach science and technology; and continually increase farmers' level of scientific cultivation and livestock raising.

Technological training is an effective route for solving the current lack of technological power in the agricultural livestock industry. Therefore, each project's cooperative group made technological training work an important link. In three years, the group for the project on "spreading the use of coordinated agricultural technology for dry uplands" conducted 42 technological

training classes of different types and different levels, and the number of trainees reached 1,592 people. The group for "developing production technology for commodity lean-type pork" trained 1,069 technological personnel and people in specialized households. Their primary method was to hold training classes and science and technology lectures, broadcast programs on science and technology knowledge, set up science and technology fairs, hold exhibits on science and technology achievements, print and distribute a series of books and pamphlets on basic scientific knowledge, organize on-site demonstrations and teaching and so forth, to strive to spread agricultural science and technology to every household.

#### 6. Help establish rural science and technology organizations and associations.

To enable projects for developing agricultural technology and spreading its use to take root, blossom and bear fruit in rural areas in the long term, to change to real production capability and to prevent termination of the projects and inattention to the spread of science and technology results, all cooperative groups actively helped establish science and technology demonstration households and so forth. Their priority in the area of technology was to give appropriate preference to production conditions, and to organize specialized households into various different associations. For example, pig-raising and chicken-raising associations, seed and plant associations and so forth accelerated the specialization and the commodity orientation of agricultural production.

#### QIUSHI on Developing Forestry

*HK1709005892 Beijing QIUSHI in Chinese  
No 12, 16 Jun 92 pp 15-19*

[Article by Gao Dezhan (7559 1795 0594), Minister of Forestry: "Build Green Shields Well, Do Green Undertakings Well"]

[Text] As an important part of the national economy, forestry is both an industry and a public undertaking. It belongs both to big agriculture, basic industries, and raw and semifinished materials industries. Forestry produces economic, ecological, and social benefits. Its development has extremely important significance to promoting the growth of the national economy, improving the ecological environment, and helping society advance.

#### I.

Forestry has become a comprehensive sector of undertaking after more than four decades of building and development. Nationwide, there are 136 state forestry bureaus, 4,264 state forest farms, 239 scientific research institutions, 11 higher learning institutes, and 49 middle schools in forestry. Forestry has provided 1,653 million cubic meters of timber, 3.815 billion bamboo sticks, and huge volumes of sideline products to the state over four decades, and played an important role in socialist economic building. Since the Third Plenary Session of the

11th CPC Central Committee, forestry has made new progress. Afforestation has grown steadily and quality has improved constantly. In 1991, afforestation reached 85 million mu, 55 million mu of hillsides were closed for afforestation, and 2.3 billion trees were planted by voluntary labor; 54.43 million cubic meters of timber and 2.10 million cubic meters of plywoods of all sorts were also produced. Artificial afforestation nationwide totals 465 million mu, ranking first in the world. Key forest projects have, in particular, made outstanding progress. More than 40 million mu of fast-growth and high-yield forest bases have been afforested. The building of shelter-forest systems in the three northeastern provinces has entered the second phase with afforestation totalling 176 million mu. The building of shelter-forest systems in the middle and higher reaches of the Changjiang River, first started in 1989, has seen more than 40 million mu being afforested. Coastal shelter-forest systems are also being built along the country's 18,000-kilometer coastline with over 10,000 kilometers of backbone forest belts being established. The building of shelter-forest systems in flat farmlands has accomplished planned goals in the first phase; 504 counties have already reached the standard of building and 73 percent of plain cultivated areas are networked with trees. With afforestation and the stepping up of control over forest resources, the conditions of these resources have turned for the better. The 1988-91 survey on forest resources, as compared with the previous one, shows that the country's afforested acreage has increased from 1.87 billion mu to 1.93 billion mu, forest cover up from 12.98 percent to 13.4 percent, and the gross deposit volume of surviving trees is up to 10.868 billion cubic meters, a growth of 170 million cubic meters in trunk diameter. A general balance has been achieved between gross supply and consumption of national forest resources and the continued down slide of forest deposit volume has been halted, resulting in the increase of both afforestation acreage and deposit volumes.

Despite great achievements in forestry, we must be fully aware that China, occupying only 3 percent of world gross afforestation acreage, is poor in forest resources. Afforestation acreage and deposit volume per capita are only 15.2 percent and 11.1 percent of the world average respectively. In addition, large areas of waste hillsides and lands suitable for growing trees are yet to be afforested. Deposit volumes of mature and over mature forests that can be harvested for timber supply are decreasing continuously, and some forestry enterprises in state-run forest regions, hard to develop by themselves, are facing considerable difficulties. The development of forestry is very imbalanced from region to region, and some internal structural relations and ratios in forestry are yet to be rationalized. Problems such as mismanagement and low proficiency are outstanding, and the conditions of forestry are yet to meet the requirements for the development of national economy and improvement of ecological environment. Thus, we are required to continue to deepen forestry reforms, open doors wider to the outside world, increase forestry

vitality and really build it into basic industries which help promote the development of the national economy and improve the ecological environment.

## II.

To make forestry really become the ecological shield for farming and water conservation, and ensure the sustained high yield of animal husbandry and bring the benefits of water conservation facilities into play so as to promote the stable and coordinated development of overall national economy, the primary issue is to further raise the awareness of the whole society on forestry as a basic industry.

First, the development of forestry is an important guarantee for sustained high yield in animal husbandry. Agricultural production in the country is presently plagued by constant natural calamities such as floods, droughts, sand storms, high temperature, and frosts. With the loss of topsoils, more lands are sanded and salinized. These problems are all closely related to the lack of development of forestry. We have observed that wind speed will normally reduce by 30 to 40 percent and relative humidity will rise 5 to 15 percent with crop yield increasing 10 to 20 percent in farmlands networked with trees. Years of efforts in building massive shelter-forest systems have improved the ecological environment in quite a number of regions and boosted the development of farming and animal husbandry. For example, after more than a decade of building, the shelter-forest system in the three northeastern provinces has raised grain output by 10 to 30 percent in 165 million mu of farmlands with low and unstable yield affected by sand storms, droughts, and high temperature. In addition, it has protected and developed 134 million mu of waste and semi-waste salinized, sanded, and deteriorated grasslands. Grass yields are now up 20 percent, greatly boosting the development of local farming and animal husbandry. Consequently, the State Council has put forward unequivocal requirements that, in the comprehensive development of agriculture, problems concerning mountains, rivers, farmland, forests, and roads should be tackled in a comprehensive way and economic benefits should be closely linked with ecological and social benefits so as to improve the results of the comprehensive development of agriculture and enhance its reserve strength for development.

Second, the development of forestry is an important approach to adjusting rural industrial structures and bringing prosperity to the economy in rural areas, particularly rural mountainous areas. Despite a huge population and insufficient arable lands, China is rich in mountainous resources. In deepening forestry reforms, all localities have in recent years made efforts to tackle the depth and extensiveness of forestry production by actively developing mountainous resources and grain undertakings. Efforts have been made to develop timber, economic forests, medicinal herbs, economic gardens, woody plants, grains, cotton, and oil crops. Where conditions permit, farming and forestry are intercropped,

and multi-level compound management is practiced. Efforts are also made to develop timber and forest product processing capacity and carry out diversified undertakings and comprehensive utilization. With these efforts, we have not only raised the land utilization rate so as to boost the three-dimensional development of agriculture, but also achieved good economic and social benefits, resulting in the emergence of a great batch of examples in which people get rich by developing forestry. As proved by experiences of all localities, to develop forestry and grain undertakings is to develop "green township enterprises" and "green banks" which have played an important role in pushing forward the rural economy and helping rid the masses of poverty and become rich.

Third, forests provide an ecological shield that helps water and soil conservation and reduces floods. Up to 400 million mu of farmlands are affected each year by floods and droughts, causing over 10 billion jin in lost grain output. Soil erosion affects about 1.3 million square kilometers. Silts entering the Changjiang River amount to 40 and 50 tons each year, causing deposits in rivers, lakes, and reservoirs to rise and considerably reducing the effectiveness of water conservation facilities. Forests help conserve water and soil, and prevent and alleviate floods and soil erosion caused by excessive rainfall. In addition, by retaining and helping water permeate the ground, forests help adjust the distribution ratio between surface and underground water, thus moderating the changes of water level in rivers to alleviate floods and droughts. In mountainous regions north of Beijing, the maximum volume of water each hectare of afforested land can retain is determined to be 2,150 tons, more than double that of bare lands. Assuming the volume to be 500 tons, a forest of 2,000 hectares equals a one-million-cubic-meter volume reservoir in terms of water retaining capacity. By observing the same areas before and after afforestation for years, the Huanggang Testing Station in Lotian County, Hubei Province reveals that afforestation is responsible for the reduction of 73 percent of flood peaks, and 92.5 percent of silts, and 98.7 percent of soil erosion. Investigations in various localities also indicate that, in rainstorms, the extent of damage is in reverse ratio to afforestation rate. Forests and water are closely related. Forests not only provide green shield for water conservation facilities but also act as green reservoirs.

To raise awareness on forestry calls for the full understanding of the dialectic relationship between farming, forestry, and water conservation. Phrases that are on people's lips such as "profuse forests and bumper grains," and "green hills and clear waters" are vivid descriptions of the relationship between the three. Facts have proved that only with forests can waters be retained, and only with waters can grain outputs be ensured. Farming, forestry, and water conservation depend on and complement each other. It is a scientific conclusion proved by production practices over a long period of time that, through coordination, agriculture as

the base, water conservation as the lifeline, and forestry as the shield help promote stable development of agricultural production as a whole. Without advanced forestry and a favorable ecological environment, agriculture will not be developed and water conservation will not yield good results. Forests provide the ecological shields for farming and water conservation, thus devoting efforts to forestry is part of the infrastructure building of agriculture. In this sense, devoting efforts to forestry is precisely for grain outputs and water conservation, and afforestation is precisely like building reservoirs. We should understand the position and role of forestry from the strategic perspective of quickening national economic development, improving ecological environments, and bringing benefits throughout the ages, and give forestry its due priority by offering genuine supports.

### III.

To bring into full play the role of forestry in promoting national economic development and improving ecological environment, we must seize the current favorable opportunity to quicken the pace of reforms and opening up so as to achieve a sustained, stable, and coordinated development in forestry. To this end, we should make new breakthroughs in the following aspects.

1) Implement afforestation plans in an all-round manner and increase the benefits of afforestation. Forest resources are the base for building green shields, engaging in green undertakings, and bringing into play the ecological, economic, and social benefits of forestry. We should take the development of forest resources and the improvement of forest quality as the primary task in forestry work. The key in developing forest resources is to quicken the pace of afforestation under the precondition of ensuring quality, and implement in an all-round manner afforestation plans approved by the State Council, and reach the struggle goal raised by various localities to eliminate desert hillsides suitable for planting trees.

We must strive for efficiency in afforestation, and the key is to perfect the structures of afforestation and improve quality meaning that we should carry out multi-forest, multi-species, multi-form, and multi-level afforestation, and rationally arrange various ratios to achieve efficiency. We should practically arrange the ratios between various forests such as timber forests, shelter forests, economic forests, and fuel forests, and rationally arrange the ratios between planted forests, air-seeding forests, and the closure of hillsides to facilitate afforestation. We should pay attention to planting mixed forests and in particular mixed forests of coniferous and broadleaf trees, and combine arbor, bush and grassplot. In addition to trees, we should pay attention to planting bamboo forests. The building of shelter-forests should focus on providing ecological shelters with multi-forest species and multi-function. Voluntary tree planting by people of the whole country should be standardized, and

formed into bases, and scientific and systematic. Afforestation by sectors should introduce the goal responsibility system. We should continue to do a fine job in key forestry projects with the "one, four, one" project as the center, that is, to do a fine job in the building of timber forest bases; do a fine job in the building of shelter-forests in the three northeastern provinces, the middle and higher reaches of the Changjiang River, coastal regions and plain farmlands; do a fine job in harnessing deserts.

It is a systematic project to foster and develop forest resources. Development and protection, and the increase of income and decrease of expenditure, should be given equal emphasis and tackled in a comprehensive way. We should implement afforestation plans in an all-round way to increase the growth volume of forest trees; strictly adhere to tree logging quotas and step up management on resources and forest administration to control consumption of resources; enhance anti-fire and pest precautions and put an end to indiscriminate logging of trees to reduce the loss of resources. Although more lands are afforested each year in the country, the annual net increase of forests is marginal due to serious destruction of existing forests. So we should pay attention to the management of forest trees so as to control their growth and decline, and also take the management of forest lands seriously so as to control their growth and decline, in the same manner as managing cultivated lands.

2) Actively adjust industrial and forest product structures in forest regions, and really turn forestry into a green undertaking full of vitality and energy. To turn into a fine circle, forestry must have vigor and energy for self-development and self-accumulation and set up an economic operation mechanism conducive to achieve the aim of supporting forestry with forestry.

Forest product industries are presently the weak link of forestry, and without good forest product industries, forestry will lack vigor. Forest product industries should be energetically developed with efficiency as a center, quality as life, and products the dragon head. We should vigorously develop more products, and actively push forward comprehensive utilization and in-depth and precision processing by making full use of quick-growth, high-yield directly breeding timber forests, forests being tended and logged, and "leftovers" and "subfuels" in forest regions. We should devote great efforts to paper-making, and manufacturing plywoods and products of in-depth processing as well as petty materials processing and forestry chemical products.

While timber resources provided by forests are limited, the potential is unlimited in utilizing rich resources on and under the ground in forest regions to carry out diversified undertakings and three-dimensional development. While broadening our horizon and opening up more channels, we should make use of favorable conditions to actively develop cultivation, aquaculture, processing and mining industries, transportation, commerce, service industry, and forest tourism.

Energetically developing diversified undertakings in forest regions is an important approach to increase economic benefits. Only by so doing can forestry maintain vigor, and afforestation keep lasting enthusiasm and reserve strength.

3) Vigorously change the internal management mechanism, and further improve large- and medium-sized state forest industry enterprises and state forest farms and plant nurseries. Key state forest industry enterprises are the backbone of the country's forestry and the hope in developing reserve forest resources. Whether they can be managed well will have significant impact on forestry as a whole.

While continuing to improve external conditions, we should practically carry out in-depth analyses on the resources, industrial structures, and economic conditions of individual enterprises and forest farms, and raise individual goals and countermeasures. We should focus particularly on forest bureaus and nurseries which face greater difficulties. Reforms of personnel and labor and distribution systems in enterprises should be continued, and the contract responsibility system further perfected, resulting in a relatively perfect self-restricting and stimulation mechanism with the economic benefits of staff workers being tied to the growth and decline of forest resources, the indicators of enterprises management level and efficiency of diversified undertakings. We should take vigorous measures to step up enterprise management and increase economic efficiency, quicken the development of resources and push forward technological advancement. We should strengthen the management over state forest farms and nurseries, give them support in policies and carry out macro-regulation, increase the management level of forest farms and nurseries and economic efficiency, and bring the backbone and exemplary role into further play.

4) Conscientiously transfer the development of forestry onto the track of reliance on science and technology. Science and technology are converted into practical productive forces only when being effectively utilized in production. According to statistics, the conversion rate of forestry scientific and technological achievements is only 30 percent, and the bulk of achievements remain unused. In view of the problem, starting this year, we should progressively practice the new "four in one" system involving the sections of scientific research, production, planning, and accounting in forestry departments with an aim to set up and perfect operation mechanisms designed to promote the application of scientific and technological achievements. By aiming to boost forestry with science and technology, guiding with planning, and ensuring the availability of funds, we will apply more scientific and technological achievements in production and make production more dependent on science and technology.

To ensure the function of the new "four in one" system in promoting the application of scientific and technological achievements, first, we should encourage sections of

scientific research, planning, and accounting to jointly appraise scientific and technological achievements and study how to popularize them. Second, an inventory should be made on achievements which were appraised in the past and joint efforts be made to popularize their application and bring them into play at an earlier date. Third, we should make vigorous efforts to achieve scientific and technological breakthroughs to enhance the reserve strength of science and technology in developing forestry. Fourth, the selection of scientific research subjects should be accurate and practical, and achievements having wider influences and better results should be spread extensively to achieve mass proficiency. Fifth, the building of the system to popularize science and technology should be quickened, and forestry sectors at provincial, prefecture, and county levels should each year spread a batch of influential scientific and technological achievements. Forestry work station in townships should undertake the responsibility to popularize scientific and technological achievements at township level. The popularization of science and technology and technical guidance should be taken as an important content for realizing socialized services.

To step up elementary education on using science and technology to develop forestry, we should presently launch multi-level, multi-form and multi-directional professional training activities to improve the ideological and technical qualities of staff workers and ensure the effective implementation of measures of using science and technology to develop forestry.

5) To quicken all-round opening up of forestry to create an external environment in which the whole society is involved in forestry is an important guarantee in boosting the stable development of forestry. We should quicken the pace of opening up forestry to the outside world and set up mechanisms conducive to opening up. First, centering on the development goal of forestry and the needs of production, we should actively develop scientific and technological exchanges and economic cooperation with the outside world, and strive for foreign assistance and loans on favorable terms, and introduce advanced foreign technologies and management expertise through a variety of channels. Second, we should further expand the range of cooperation with the outside world and the extent of foreign capital utilization. In 1991, 300 million U.S. dollars loaned by the World Bank were used to build "state afforestation projects" of fast-growth and high-yield forests. We should further expand foreign cooperation on this basis and attract foreign investments through a variety of flexible measures and channels to jointly build afforestation bases and develop paper-making, plywoods, and forest chemical products so as to quicken the building of forest product industries. Third, we should make vigorous efforts to develop forest products with the greatest potential in foreign currency earnings, and the key is to do a fine job in the exports of wood chip, rosin, and products made of them, and bamboo products, to actively explore the international markets and develop

hard currency-earning forestry. Fourth, we should bring into play the advantages inherent with forestry and actively strive for businesses such as developing foreign forests, contracting forestry projects, exporting labor, processing imported materials and compensatory trade, and actively participate in international forestry cooperation. Fifth, in view of the needs of opening up, we should take vigorous measures to train talented individuals and establish good cooperation credit to boost exchanges and cooperation. Sixth, we should examine in good time forestry technological cooperation with foreign countries, utilization of foreign investments, and product exports to ensure the opening up of forestry.

We should further quicken the pace of opening up forestry domestically so as to let the whole society engage in forestry. We should persist in raising funds by multi-channel and multi-level means to quicken the step of afforestation. Active efforts should be made to strive for support from governments and departments at all levels to increase forestry investments. In view of investments in various fields and activities such as forestry credit loans, comprehensive agricultural development, development to assist the underprivileged, development of mountainous regions and old areas, substituting employment for assistance, and the building of water conservation facilities and environmental projects, we should take every effort to ensure that funds are put to their appropriate uses. Measures to raise funds extensively to support forestry, including the system of forestry ecological compensatory fees, should be studied and practiced. We should also develop a variety of forms of cooperation and association. Enterprises and units relying on timber and forest byproducts as major raw materials should be encouraged to invest in forest regions to build raw materials supply bases. In particular, we should organize enterprises in forest regions to initiate cooperation and exchange with special economic zones and coastal regions to develop multi-form joint ventures and take

the advantages of resources and make up for shortages of funds, technology, and information so as to boost the economic development in forest regions. In addition, we should do a fine job in internal coordination and association in forestry departments and establish an economic system conducive to bringing into play the characteristics of forest regions and extensive cooperation between forest regions. The advantage of forestry enterprises should be brought into play through establishing a variety of enterprises groups.

To strive for further attention and support from leaders at all levels and enhance leadership over forestry is the key in boosting its rapid development. We should continue to earnestly implement the responsibility system of afforestation on incumbent leaders at all levels, compile afforestation programs and annual implementation plans, and define afforestation goals and specific tasks of individual regions. Responsibility for afforestation tasks should be entailed at each level. Leaders at all levels should take the lead in experimenting with afforestation by setting up examples for more regions to follow so as to push forward the development of forestry. We should study and solve problems arising from afforestation in good time, and persist in doing a fine job in examination and acceptance work and the circulation of notices of commendation or punishment. We should promulgate concrete measures and standards on examination and punishment.

The burden to develop forestry is heavy and the road long. We should further strengthen the sense of responsibility and urgency in doing a fine job in forestry, and fully implement the party's basic line and important remarks by comrade Deng Xiaoping on building socialism with Chinese characteristics, and quicken the pace of reform and opening up, raise understanding and enhance measures, and make new breakthroughs in work so as to push forestry up onto a new stage.

**Government Urged To Adjust Trade Regime for GATT Bid**

*OW1409090992 Taipei CNA in English  
0820 GMT 14 Sep 92*

[Text] Taipei, Sept. 14 (CNA)—Taiwan must further adjust its trade regime, including its policy on commercial exchanges with Mainland China, in order to facilitate its entry into the General Agreement on Tariffs and Trade (GATT), a ranking economic official said Sunday.

The official, who preferred anonymity, said there are still many things to be done before Taiwan joins the Geneva-based world trade forum, even though the GATT council is expected to formally discuss Taiwan's membership application in its forthcoming monthly meeting scheduled to open 29 September.

"The move just marks a small step forward in our bid to join the 107-member free trading club," the official noted.

According to the GATT charter, a "hopeful" applicant must first be accepted by the 31-member GATT council. The council will then form a working group to handle the application. A "hopeful" will formally become a contracting party only after winning the support of two-thirds of all GATT members.

The official pointed out that the GATT council has accepted Mainland China's application for more than six years, but Peking has not yet become a formal GATT contracting party because its trade and economic systems fail to meet GATT requirements.

Taiwan has largely liberalized its trade and economy in recent years. As it has applied to join the GATT as a "developed country," the official said, major GATT members are expected to strictly require Taiwan to remove tariff and nontariff trade barriers.

"GATT contracting parties will particularly ask us to further liberalize our agricultural and service markets," the officials said.

He added that the government's insistence on indirect trade and investment across the Taiwan Strait may also become a target of criticism by GATT members, Third World countries in particular. The government must work out feasible strategies to address the problems in

order to facilitate the country's admission to the important world trade promotion body, he stressed.

Taiwan applied to join the GATT as a separate customs territory in January 1990.

**Existing Airports Could Serve as Mainland Air Links**

*OW1509104992 Taipei CNA in English  
0817 GMT 15 Sep 92*

[Text] Taipei, Sept. 15 (CNA)—The existing international airports can be used if direct air links with Mainland China are to be established, a ranking transportation official said Monday.

The official, who asked that he not be named, reported that airport facilities to be built under the government's Six-Year National Development Plan can accommodate "mainland routes."

As of now, he added, the government has just been gathering data and studying the feasibility of setting up direct air links with the mainland.

"The Ministry of Transportation and Communications has not asked any individual or private institute to research the subject," he said.

The official commented that talks on direct air links can be held only when both sides regard each other as equal entities and when Peking renounces its threat to use the force of arms against Taiwan.

Transportation and Communications Minister Chien Yu-hsin said that direct air service between the two sides of the Taiwan Strait would involve many complicated problems because it is neither international nor domestic service.

Chien stressed that his ministry will follow the government's mainland policy while dealing with the issue.

Ma Ying-jeou, vice chairman of the Mainland Affairs Council, reiterated that the time for talks with Peking over direct transportation links was not yet ripe.

"What we can do now is to create an atmosphere favorable to such negotiations," Ma said, adding that he hopes that during their meeting next month, Straits Exchange Foundation Chairman C.F. Koo and his mainland counterpart Wang Daohan will help create such atmosphere.

NTIS  
ATTN PROCESS 103  
5285 PORT ROYAL RD  
SPRINGFIELD VA

2

22161



This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTS may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTS and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTS and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTS or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTS and JPRS publications are not available. Both the DAILY REPORTS and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.